



Letter

Title	LICAT, MCT and MICAT review for IFRS 17
Date	September 30, 2020
Sector	Life Insurance and Fraternal Companies Property and Casualty Companies

To: Federally Regulated Insurers [1](#)

International Financial Reporting Standard (IFRS) 17 Insurance Contracts, published by the International Accounting Standards Board in May 2017, has been deferred; it will now become effective for annual reporting periods beginning on or after January 1, 2023. This letter updates the Office of the Superintendent of Financial Institutions (OSFI) previously communicated timelines to revise its existing capital guidance for insurers, namely Guidelines A: [Life Insurance Capital Adequacy Test](#) (LICAT), [Minimum Capital Test](#) (MCT) and [Mortgage Insurer Capital Adequacy Test](#) (MICAT).

OSFI has made significant progress towards adapting its capital guidelines for insurers:

- In 2018, OSFI distributed a preliminary draft LICAT, MCT and MICAT guidelines, updated for IFRS 17, and conducted a questionnaire/data collection exercise.
- In 2019, OSFI launched a consultation on the updated draft LICAT, MCT and MICAT guidelines, accompanied by a Quantitative Impact Study (QIS), as well as draft forms and instructions.

For life insurers with segregated fund guarantee (SFG) business, development work on the new standard approach for determining associated capital requirements has been following a separate project plan. Additional details related to the plan will be communicated later this year.

OSFI will continue its capital policy development process, including quantitative assessments, to implement IFRS 17 in a robust and timely way in its insurance capital guidelines. The remaining key milestones include:



Sep / Oct 2020	June 2021	Nov 2021 – Mar 2022	Aug 2022
Distribute directly to insurers and select stakeholders for comment: <ul style="list-style-type: none"> • Revised draft LICAT / MCT / MICAT 2023 guidelines; • QIS #2 for LICAT and MCT, focused on select capital impact drivers; • LICAT sensitivity test 	Publish on OSFI's website: <ul style="list-style-type: none"> • Revised draft LICAT / MCT / MICAT 2023 guidelines; • Draft regulatory capital forms; • QIS #3 and sensitivity tests 	Potential directed consultations and data calls for calibration and transition purposes	Publish on OSFI's website: <ul style="list-style-type: none"> • Final LICAT / MCT / MICAT 2023 guidelines; • Final regulatory capital forms

Consistent with past communications with respect to LICAT and MCT and to the extent possible, OSFI intends on maintaining capital frameworks consistent with current capital policies and minimizing potential industry-wide capital impacts.

Questions regarding this letter should be directed to Lisa Peterson, Managing Director, Life Insurance Capital (lisa.peterson@osfi-bsif.gc.ca), or Henri Boudreau, Managing Director, Property, Casualty and Mortgage Insurance Capital (henri.boudreau@osfi-bsif.gc.ca).

Sincerely,

Bernard Dupont

Senior Director

Capital Division



Footnotes

- 1 For the purpose of this letter, “insurers” refers to all federally regulated insurers, including Canadian branches of foreign life and property and casualty companies, fraternal benefit societies, regulated insurance holding companies and non-operating insurance companies.