



Letter

Title	Final Mortgage Insurer Capital Adequacy Test (MICAT) 2023- Letter (2022)
Category	Capital Adequacy Requirements
Date	July 21, 2022
Sector	Property and Casualty Companies

To: Federally Regulated Mortgage Insurers

Today, OSFI is releasing the final Mortgage Insurer Capital Adequacy Test (MICAT) guideline, reporting forms and instructions that will come into force on January 1, 2023. This final version of the MICAT 2023 guideline is the result of extensive engagement with stakeholders to define regulatory capital requirements under the new *International Financial Reporting Standard 17 – Insurance Contracts* (IFRS 17). This marks the final milestone announced in the September 30, 2020, [Letter to Federally Regulated Insurers](#).

While a great deal of effort has gone towards a robust implementation, IFRS 17 is a new standard, and we expect insurers to act conservatively when making decisions that would result in changes to their levels of capital.

Key revisions to the MICAT 2023 guideline include:

- Adapting it for *IFRS 17 Insurance Contracts*, including the use of concepts and measurements of insurance liabilities, e.g., the new guideline uses “liabilities for incurred claims” and “liabilities for remaining coverage” instead of “unpaid claims” and “premium liabilities”, respectively;
- Introducing a capital requirement on the loss components of liabilities for remaining coverage so that the MICAT ratios better reflect the changes in the level of insurance risk during periods when mortgage insurers are under stress; and,
- Specifying credit risk requirements in a manner consistent with *IFRS 9 Financial Instruments* terminology.



The MICAT 2023 guideline also directly incorporates the calculations for First-Time Homebuyer Incentive mortgages (FTHBI) specified in the advisory [MICAT Total Requirements for FTHBI Mortgages](#). MICAT reporting forms and instructions have been updated to reflect changes to the MICAT guideline.

The completion of this work is a significant milestone towards insurers implementing a new global accounting standard. We would like to thank the mortgage insurers for their contributions to developing the MICAT 2023 guideline, and for participating in the quantitative impact study conducted in parallel to the 2021 public consultation. These shared efforts were essential in preparing for a smooth implementation.

Should you have any questions related to regulatory capital requirements for mortgage insurers, please contact Tara-Lea Herkert, Director, Capital Division at tara-lea.herkert@osfi-bsif.gc.ca.

Sincerely,

Amar Munipalle

Executive Director, Risk Advisory Hub