Letter

Title	OSFI Update on Capital Requirement for Federally Regulated Life Insurers – Letter
Category	Capital Adequacy Requirements
Date	July 3, 2025
Sector	Life Insurance and Fraternal Companies

Today, OSFI is making the following adjustments with respect to LICAT policy and initiatives:

1. Postponing the next revision of the Life Insurance Capital Adequacy Test (LICAT) Guideline from 2027 to a later date (post-2028). We commit to notifying insurers at least one year prior to restarting discussions on the next LICAT update.
2. Reducing capital requirements for domestic infrastructure debt and equity that meet certain criteria (see Appendix for the criteria).

These measures take effect immediately and apply to all federally regulated life insurers, including Canadian branches of foreign life companies, fraternal benefit societies, regulated life insurance holding companies, and non-operating life insurance companies. The measures will remain in place until further notice. Additional details are provided in the Appendix.

Our efforts on the current Quantitative Impact Study (QIS) will continue. The QIS results will provide further insight for the development of future policy settings when the LICAT update restarts.

We will continue to monitor the broader environment to ensure our capital framework remains fit-for-purpose and adjust as needed.

Should you have any questions, please contact Régis Dahany, Managing Director, Insurance Capital and Liquidity Standards Division by email at Regis.Dahany@osfi-bsif.gc.ca or use the mailbox LICAT-TSAV@osfi-bsif.gc.ca.

Sincerely,

Amar Munipalle

Executive Director, Risk Advisory Hub

Appendix – Additional details on the measures

Measure	Details
LICAT 2027 deferral	• There will be no public consultation on a draft LICAT Guideline in 2026 nor an implementation of a new LICAT Guideline in 2027. • Regulatory notices could be used in the interim to address urgent and important items, as necessary.
Capital treatment for infrastructure investments	• For unrated infrastructure debt made to Permitted Infrastructure Entities located in Canada as defined in the Government of Canada's *Investments in Permitted Infrastructure Entities Regulations*, the credit risk charge is reduced from 6% to 3%. • For infrastructure equity that meets the criteria of Permitted Infrastructure Entities located in Canada as defined in the Government of Canada's *Investments in Permitted Infrastructure Entities Regulations*, the market risk charge is reduced from 40% to 30%. • For regulatory reporting purposes, reflect the reduced credit risk charge for debt and market risk charge for equity accordingly in the annual and quarterly regulatory returns.