Letter

Title	Internal Model Oversight Framework
Category	Sound Business and Financial Practices
Date	June 21, 2019
Reference	Guideline for P&C F200-10-785

OSFI is issuing for comment draft guideline E-25 *Internal Model Oversight Framework* for federally regulated property and casualty insurance companies (insurers). The guideline establishes OSFI's expectations for insurers when they establish and maintain an oversight framework for internal models used to determine regulatory capital requirements.

If OSFI were to approve a P&C insurer to use an internal model to determine regulatory capital requirements for its insurance risk, the insurer would have some flexibility to design its internal model to better measure and manage associated risks. However, this flexibility introduces internal model risk.

To minimize internal model risk, OSFI expects insurers will develop and implement sound policies and practices for the oversight and control of risk associated with internal models. The draft guideline outlines OSFI's expecations for internal model oversight and risk control.

We look forward to receiving your comments by August 30, 2019. Comments received will be considered as OSFI finalizes the guideline.

Please send comments to Margo Ford, Senior Analyst (margo.ford@osfi-bsif.gc.ca) at:

Office of the Superintendent of Financial Institutions

Capital Division

255 Albert Street

Ottawa, ON K1A 0H2

Should you have any questions, please contact Judith Roberge (judith.roberge@osfi-bsif.gc.ca) at 613 990-4412.

Sincerely,

Bernard Dupont

Acting Assistant Superintendent

Regulation Sector