

**Financial Services
Commission
of Ontario**

Licensing and Market Conduct Division
5160 Yonge Street, 4th Floor
Box 85
Toronto ON M2N 6L9
Telephone: (416)590-7568
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**Commission des
services financiers
de l'Ontario**

Division de la délivrance des permis
et de la surveillance des pratiques de l'industrie
5160, rue Yonge, 4^{ième} étage, Boîte 85
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December 23, 2011

«FirstName» «LastName»
«Title»
«Organization»
«Address»
«City» «Province»
«PostalCode»

Insurer # «InsurerNumber»

Dear «Salutation» «LastName»:

Re: 2011 Annual Return

As part of the Financial Services Commission of Ontario (FSCO) monitoring of Ontario incorporated insurance companies, we require all licensed insurance companies provide the following documents described below, unless otherwise noted:

1. Business Plan

We require that you submit a company Business Plan for the year 2012. As a minimum, the Plan for 2012 should include a forecast of the Balance Sheet and the Minimum Capital Test as at year - end 2012, as well as the Income Statement for the year 2012. The Plan should be detailed enough to enable us to track your company's progress against its key performance indicators at the end of each calendar quarter, but ideally on a monthly basis, and to assess the significance of any variance that may emerge in that quarter or on a year-to-date basis. Please include any related narrative or action plans you believe would help us to better understand your plans for the year.

If you have not already provided us with your 2012 Business Plan, we would request that it be submitted on or before February 29, 2012.

2. Dynamic Capital Adequacy Tests (DCAT)

We require that all Ontario incorporated companies (other than Fraternal Societies, Reciprocal Insurance Exchanges and insurers that are members of the Fire Mutuals Guarantee Fund) submit a DCAT report to FSCO no later than September 30, 2012. Please submit two copies of the report.

Since the DCAT process involves a projection of the changes in financial conditions under various scenarios, we expect that the company board of directors and senior management will review and assess the significant risks and the implications from the Business Plan on capital with the Appointed Actuary, and take actions as needed. The DCAT report is expected to be prepared in accordance with the Canadian Institute of Actuaries standard of practice and signed by the Appointed Actuary.

3. Statutory Reports and Filings

If you had previously been advised to submit your statutory reports and filings to another supervisor acting on behalf of FSCO, please ensure that at least one copy of all such reports and/or filings are sent to FSCO. You should continue to send reports to your designated primary supervisor.

4. Reporting Requirements for the conduct review committee (CRC)

Company' Board of Directors are required to establish a CRC in preparation for adoption of the new governance requirement before May 2012. The role of the CRC is to ensure that the company is complying with the related party transactions provisions in Part XVII.1 of the *Insurance Act* (the Act). Section 4(5).3 of Ontario Regulation 123/08 requires that the CRC, after approval of the procedures and standards, reports to the Superintendent of Financial Services (Superintendent) on the approved procedures and standards and any subsequent changes to those procedures and standards as soon as possible after the change is made. There is no set time frame for filing the report.

While there is no set date for filing the report and no specific prescribed form of procedures and standards, the committee may wish to consider the Materiality Criteria for Related Party Transactions of Property and Casualty Insurance Companies (December 1993) issued by the Office of Superintendent of Financial Institutions which can be found at the following link: http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/prudential/guidelines/e6ep&c_e.pdf

If you have not already done so, all reports/filings to the Superintendent should be submitted to the following address:

Financial Services Commission of Ontario
Licensing and Market Conduct Division
5160 Yonge Street
4th Floor, Box 85
Toronto, ON M2N 6L9

Attention: Ms. Ivy Lau, Information Analyst

Please refer to following directives released by OSFI and take note of FSCO's position on respective issue:

Minimum Capital Test (MCT) Guideline Revisions for 2012 (for property & casualty insurance companies)

To make the P&C insurance capital test more risk-based and to bring greater consistency with the capital requirements of the other financial sectors, FSCO is adopting the new guideline released by OSFI in October, 2011. The Guideline A, *Minimum Capital Test*, which will come into effect on January 1, 2012, is available on OSFI's website. http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/capital/guidelines/MCT2012_e.pdf

Minimum Continuing Capital and Surplus Requirements (MCCSR) Guideline 2012 (for life insurance companies and fraternal benefit societies)

FSCO is adopting the revised Guideline A, *Minimum Continuing Capital and Surplus Requirements* (MCCSR) released by OSFI in October, 2011. The Guideline, which will come into effect on January 1, 2012, is available on OSFI's website. http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/capital/guidelines/MCCSR2012_e.pdf

Early Adoption of New or Amended International Financial Reporting Standards (IFRSs) Issued in May and June 2011

In May and June 2011, the International Accounting Standards Board issued several new or amended IFRSs that may affect Ontario regulated insurers. FSCO's position is that Ontario regulated insurers should not early adopt the new or amended IFRSs. This decision will allow a sufficient amount of time for Ontario regulated insurers to adopt these accounting standards within their organizations.

We look forward to receiving the information requested on or before the dates indicated for each item above.

Yours truly,



Ivy Lau
Information Analyst