

**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
Facsimile: (416)226-7838
Toll Free: 1-800-668-0128 ext. 7568

**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
Toronto ON M2N 6L9
Téléphone: (416)590-7568
Télécopieur: (416)226-7838
Sans Frais: 1-800-668-0128 ext. 7568



December 30, 2013

**To: Chief Agents / Chief Executive Officers
Ontario incorporated insurance companies**

**From: Ivy Lau
Information Analyst**

Re: 2013 Annual Return Instructions

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:

Business Plan

We request that you submit a company Business Plan for the year 2014. As a minimum, the Plan for 2014 should include a full-year forecast of the Income Statement, Balance Sheet and the Minimum Capital Test as at year - end 2014. 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 a narrative about the action plans you believe would help us to better understand your plans for the year.

If you have not already provided us with your 2014 Business Plan, we would request that it be submitted on or before February 28, 2014 and in an electronic format (pdf copy).

Dynamic Capital Adequacy Testing (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, 2014. Please submit one electronic copy (signed pdf) 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 Standards of Practice and signed by the Appointed Actuary.

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

Minimum Continuing Capital and Surplus Requirements (MCCSR) Guideline 2014 for Life Insurance Companies

FSCO is adopting the Guideline on *Minimum Continuing Capital and Surplus Requirements* (MCCSR) for life insurance companies released by OSFI in November 2013. The Draft, which will come into effect on January 1, 2014, is available on OSFI's website. <http://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/MCCSR2014.aspx>

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