

**Financial Services
Commission
of Ontario**

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**Commission des
services financiers
de l'Ontario**

Division de la délivrance des permis
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December 22, 2014

**To: Chief Agents / Chief Executive Officers
Ontario incorporated insurers and reinsurers, fraternal societies, and
reciprocal insurance exchanges**

**From: Ivy Lau
Information Analyst**

Re: 2014 Additional Annual Requirements

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

Business Plan

We request that you submit a company Business Plan for the year 2015. As a minimum, the Plan for 2015 should include a full-year forecast of the Income Statement, Balance Sheet and the Minimum Capital Test as at year-end 2015. 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 plan you believe would help us to better understand your plans for the year.

If you have not already provided us with your 2015 Business Plan, we would request that it be submitted on or before March 2, 2015 and in an electronic format (pdf copy).

Dynamic Capital Adequacy Testing (DCAT)

We require that all Ontario insurers (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, 2015. 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 directives released by OSFI and take note of FSCO's position on the respective issue:

Minimum Capital Test (MCT) Guideline Revisions for 2015 for Property & Casualty Insurance Companies

FSCO is adopting the Guideline on *Minimum Capital Test* (MCT) for property and casualty insurance companies that was released by OSFI in November 2014. The Guideline A, *Minimum Capital Test*, comes into effect on January 1, 2015 and is available on OSFI's website.

<http://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/mct2015.aspx>

Minimum Continuing Capital and Surplus Requirements (MCCSR) Guideline 2015 for Life Insurance Companies

FSCO is adopting the Guideline on *Minimum Continuing Capital and Surplus Requirements* (MCCSR) for life insurance companies and fraternal benefit societies that was released by OSFI in November 2014. The Guideline A, *Minimum Continuing Capital and Surplus Requirements*, comes into effect on January 1, 2015 and is available on OSFI's website.

<http://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/MCCSR2015.aspx>

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