To: British Columbia Incorporated Life Insurance Companies

Re: Notice of Intent to Adopt Guideline: Life Insurance Capital Adequacy Test (LICAT)

The federal Office of the Superintendent of Financial Institutions (OSFI) has released for comment a draft new capital adequacy guideline for federally regulated life insurance companies, the *Life Insurance Capital Adequacy Test* (LICAT). The LICAT guideline will replace the current life insurance capital test, the *Minimum Continuing Capital and Surplus Requirements* (MCCSR) guideline, in place since 1992. Once finalized, the guideline will be applicable for January 1, 2018. Early application of this version of the guideline is not permitted.

OSFI developed the LICAT to better align capital and risk measures with the economic realities of the life insurance business. The LICAT guideline also takes into account recent developments in financial reporting standards, actuarial standards, economic and financial practice, and international trends in solvency frameworks.

Section 8.1 of the *Capital Requirements Regulation* of the *Financial Institutions Act* of British Columbia states, in part, that the minimum adequate capital base of a life insurance company is determined in accordance with the MCCSR Guideline as established, published, and amended from time to time by OSFI. This section would be amended with a reference to the LICAT.

The Financial Institutions Commission (FICOM) is seeking to receive confidential stakeholders’ feedback on OSFI’s proposal. Stakeholder input is received on a confidential basis in order to obtain frank and forthright input to assist in the policy decision making process. FICOM will treat submissions as confidential records and will not publish or share individual submissions or attribute content. However, please note that all submissions are subject to the *Freedom of Information and Protection of Privacy Act*.

Interested parties are invited to provide comments on the draft guideline by April 30, 2016. Please send your comments to Melanie Achtemichuk, Executive Director, Policy and Approvals, at Melanie.Achtemichuk@ficombc.ca.

Regards,

Frank Chong
Deputy Superintendent, Regulation