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# Superintendent's Minimum Capital Test Guideline

## About the Minimum Capital Test (MCT)

The MCT is a harmonized capital adequacy solvency test that is intended to apply throughout Canada for property and casualty (P & C) insurers. It was developed to ensure consistency among jurisdictions throughout Canada, by applying the same capital framework to P & C insurers operating in Canada. Since 2004, it has been applied on a mandatory basis to P & C insurers that are licensed in Ontario.

Under Ontario Regulation 259/04: Minimum Capital Test , all licensed insurers or reinsurers in Ontario (except for those noted below) must meet the capital requirements of the Minimum Capital Test Guideline for Property and Casualty Insurance Companies – Superintendent's Guideline No. 08/04 (Superintendent's Guideline).

THE PUBLIC UTILITIES BOARD

Exhibit No. CAC #17

Re: MPT GRA 2017

10/19/16

*W. Churilla*

DATE

SECRETARY

### Who the Superintendent's Guideline Applies to


The Superintendent's Guideline is not applicable to the following types of insurance companies:

- life insurers;
- fraternal societies;
- reciprocal insurance exchanges; and
- farm mutual insurers that are members of the Fire Mutuals Guarantee Fund.


Reciprocal insurance exchanges and farm mutual insurers are exempt from complying with the MCT because they have either a subscribers' agreement (reciprocals), or membership in the Fire Mutuals Guarantee Fund (farm mutuals) to provide support for their capital. However, they are still required to file the MCT with the Financial Services Commission of Ontario (FSCO), as it provides an evaluation that is comparable to other insurers.

Federally-regulated P & C insurers that are licensed in Ontario, but that are filing the MCT with the Office of the Superintendent of Financial Institutions (OSFI), are not required to file with FSCO. P & C insurers that are incorporated in other provinces and that are licensed in Ontario, are not required to file the MCT with FSCO when OSFI's 2016 MCT Guideline or an equivalent MCT framework has been adopted by the other province.

### The Superintendent's Guideline that is Effective on January 1, 2016




As of January 1, 2016, all Ontario incorporated insurers or reinsurers (except for those noted above) are required to use the updated Superintendent's Guideline  Size: ##kb.

The federal regulator, OSFI has traditionally led the update of the MCT, in alignment with international best practices, through its Guideline A, Minimum Capital Test for Federally Regulated

Property and Casualty Insurance Companies  (OSFI's 2016 MCT Guideline). To ensure consistency, the Superintendent of Financial Services has decided to adopt OSFI's 2016 MCT Guideline in its updated Superintendent's Guideline that is effective on January 1, 2016.

## The Existing Superintendent's Guideline

On January 1, 2016, the updated Superintendent's Guideline will replace the existing Superintendent's Guideline and accompanying worksheets, currently available on FSCO's website:

- Existing Superintendent's Guideline  Size: ## kb
- Worksheet - Capital Required: Accident and Sickness Business 
- Minimum Capital Test Worksheet 

## Questions?

If you have any questions or concerns, you may:

- Read our FAQs on the updated Superintendent's Guideline; and
- Contact Wendy Horrobin, Manager, Market Conduct Compliance by telephone at 416-590-2093 or by e-mail at [Wendy.Horrobin@fSCO.gov.on.ca](mailto:Wendy.Horrobin@fSCO.gov.on.ca).