
BULLETIN NUMBER:	INS-10-007
TITLE:	2011 MINIMUM CAPITAL TEST (“MCT”) GUIDELINE
LEGISLATION:	THE <i>FINANCIAL INSTITUTIONS ACT</i> (“<i>FIA</i>”), CAPITAL REQUIREMENTS REGULATION
DATE:	NOVEMBER 2010 (<i>Revised June 14, 2011</i>)
DISTRIBUTION:	BRITISH COLUMBIA INCORPORATED INSURANCE COMPANIES AUTHORIZED TO CARRY ON GENERAL INSURANCE BUSINESS (“Insurers”)

The purpose of this bulletin is to advise Insurers that the Superintendent of Financial Institutions, British Columbia has adopted both the 2011 MCT Guideline, issued December 2010, and the requirements for the Minimum Capital Test/Branch Adequacy of Asset Audit, issued June 14, 2011, by the Office of the Superintendent of Financial Institutions, Canada (“OSFI”).

The 2011 MCT Guideline contains three significant changes from previous years’ MCT Guidelines. The changes are:

1. A minimum gross capital level;
2. An audit requirement for the MCT¹; and
3. A clarification of the capital treatment for investments in, and loans to subsidiaries, associates, and joint ventures.

¹ On June 14, 2011, OSFI issued its letter, “***Minimum Capital Test/Branch Adequacy of Assets Test Audit Requirement***”, which states:

“P&C insurance companies are no longer required to file an audit opinion on the 2011 MCT/BAAT. However, for fiscal year-ends beginning on or after January 1, 2012, P&C insurance companies will be required to file an annual audit of the MCT/BAAT by the filing due date of their financial statements’ annual audit report. The MCT/BAAT audit will be required for both the current and prior year figures.”

For reference, Section 8 of the Capital Requirements Regulation of the FIA of British Columbia states in part, that the minimum adequate capital base of a general insurance company is determined in accordance with the MCT Guideline as established and published, and amended from time to time by OSFI.

Links to websites:

OSFI's 2011 MCT Guideline:

http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/capital/guidelines/MCT2011_e.pdf

OSFI's June 14, 2011 letter:

http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/capital/guidelines/mct2011_let2_e.pdf

FIA Capital Requirements Regulation of British Columbia:

http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/11_315_90

If there are any questions about this bulletin please contact the Insurance Department staff at Insurance@ficombc.ca.

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