

BULLETIN NUMBER:	INS-10-002
TITLE:	STRESS TESTING AND DYNAMIC CAPITAL ADEQUACY TESTS (“DCAT”) FOR INSURANCE COMPANIES
LEGISLATION:	<i>FINANCIAL INSTITUTIONS ACT</i>
DATE:	MARCH 2010
DISTRIBUTION:	ALL BRITISH COLUMBIA PROVINCIALLY INCORPORATED INSURERS

PURPOSE

On December 2, 2009, the federal Office of the Superintendent of Financial Institutions (“OSFI”) released its Guideline E-18 Stress Testing:

Link: http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?ArticleID=3414

BACKGROUND INFORMATION

The guideline sets out the expectations and considerations for stress testing programs, and in particular, the DCAT for insurance companies.

The British Columbia Superintendent of Financial Institutions (“Superintendent”) has adopted the federal Guideline E-18 for provincially incorporated insurers.

For British Columbia incorporated insurers, the requirements in preparing stress tests (including the DCAT) are the same as set out in OSFI’s Guideline E-18, apart from differences due to laws, regulations, and filing instructions.

The British Columbia Superintendent understands that it may take time to fully implement these requirements. However, we expect insurers to assess their stress testing practices against the principles set out in the guideline and where gaps have

been identified, the insurer develops action plans to improve their practices in a reasonable amount of time. The Financial Institutions Commission staff will be reviewing these action plans during the insurer's next on-site examination.

Staff of the Financial Institutions Commission periodically issue interpretation bulletins to provide technical interpretations and positions regarding certain provisions contained in the *Financial Institutions Act* and Regulations. While the comments in a particular part of an interpretation bulletin may relate to provisions of the law in force at the time they were made, these comments are not a substitute for the law. The reader should consider the comments in light of the relevant provisions of the law in force at the time, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made. Subject to the above, an interpretation or position contained in an interpretation bulletin generally applies as of the date on which it was published, unless otherwise specified.