

Information on the draft consultation of the Life and Health Insurance Capital Adequacy Requirements Guideline (An Act respecting insurance, CQLR c A-32)

The Autorité des marchés financiers (the “AMF”) has published for consultation the *Life and Health Insurance Capital Adequacy Requirements Guideline* (the “Guideline”) that applies to life and health insurers licensed to transact insurance business in Québec.

The Guideline has required intensive work in close collaboration with the Office of the Superintendent of Financial Institutions (“OSFI”) and Assuris. It is worth noting that the Guideline has particularities to reflect the specific regulatory environment in Québec, which has led to some differences compared to the *Life Insurance Capital Adequacy Test* published by OSFI for consultation.

The Guideline has the objective to improve transparency and predictability of the criteria on which basis the AMF evaluates the quality and prudence of the life and health insurers. The new version has been developed to improve the quality of capital and better align risk measures with economic reality of the insurers under the AMF supervision.

The capital requirement of the insurers have been established at a supervisory target level to achieve a conditional tail expectation (“CTE (99)”) over a one year horizon, including a terminal provision to allow for the transfer of liabilities to another insurer. The available capital to cover these requirements is to include only assets that would effectively be available upon liquidation of the insurer.

Through its current supervisory activities, the AMF is expecting insurers to maintain a ratio of 150%. Given the new requirement’s calibration and the addition of new risk measures that were not there before, the supervisory ratio under the new approach will be at a level of 100%.

The Guideline is expected to come into effect on January 1, 2018. Persons who are interested in submitting their comments are invited to provide them no later than May 9, 2015.

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