

Notice relating to the application of the *Guideline on Capital Adequacy Requirements – Property and Casualty Insurance 2023* (the “Guideline”)

On July 21, 2022, the Autorité des marchés financiers (the “AMF”) published the final version of the Guideline, which takes effect on January 1, 2023, in its Bulletin. Since its release, the AMF has noticed that some Guideline items could present difficulties in interpretation or application.

This notice sets out clarifications and adjustments to enable insurers to calculate the MCT in accordance with the AMF's expectations.

Clarifications and adjustments

- 1. Insurance risk – Calculating unexpired coverage for insurance contracts issued**
Publication date: December 1, 2022
Effective date: January 1, 2023

Insurance contracts concerned

The formulas for calculating the unexpired coverage for insurance contracts issued, described in section 3.3.2 of the Guideline, appear to leave room for interpretation in determining whether all insurance contracts issued and recognized in accordance with paragraphs 25 to 28 of the IFRS 17 standard are included in the calculation.

The AMF's clarification

The AMF hereby confirms that only contracts recognized in accordance with sections (a) or (b) of paragraph 25 of IFRS 17 must be included in the calculation of unexpired coverage for insurance contracts issued. Accordingly, premiums receivable (under the premium allocation approach) or future cash flows (under the general measurement model) for onerous contracts recognized in accordance with section (c) of paragraph 25 must not be included in this calculation.

Please note that this clarification applies only to section 3.3.2 of the Guideline. All contracts recognized in accordance with IFRS 17 must be taken into account for the requirements described in the other sections of the Guideline.

If you have any questions, please contact Mr. Zinsou Ruffin Adja (ZinsouRuffin.Adja@lautorite.qc.ca).

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