



You are here: [Home](#) > [Insurance](#) > [Annual Returns & Instructions](#) > 2018 Annual Return Instructions

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FSRA is actively reviewing all FSCO regulatory direction, including but not limited to forms, guidelines and FAQs.

Until FSRA issues new regulatory direction, all existing regulatory direction remains in force.

## 2018 Annual Return Instructions to Ontario incorporated insurers and reinsurers, fraternal societies, and reciprocal insurance exchanges

As part of the Financial Services Commission of Ontario (FSCO) monitoring of Ontario insurers, we require all licensed insurers to provide the documents described below, unless otherwise noted:

### Business Plan

We request that you submit a company Business Plan for the year 2019. As a minimum, the Plan for 2019 should include a full-year forecast of the Income Statement, Balance Sheet and the Minimum Capital Test as at year-end 2019. The Plan should be detailed enough to enable us to track your company's progress against its key performance indicators at the end of each calendar quarter, but ideally on a monthly basis, and to assess the significance of any variance that may emerge in that quarter or on a year-to-date basis. Please include a narrative about the action plan that you believe would help us to better understand your plans for the year.

If you have not already provided us with your 2019 Business Plan, we would request that it be submitted on or before February 28, 2019 and in an electronic format (pdf copy).

### Dynamic Capital Adequacy Testing (DCAT)

We require that all Ontario insurers (other than Fraternal Societies, Reciprocal Insurance Exchanges and insurers that are members of the Fire Mutuals Guarantee Fund) submit a DCAT report to FSCO no later than September 30, 2019. Please submit one electronic copy (signed pdf) of the report.

Since the DCAT process involves a projection of the changes in financial conditions under various scenarios, we expect that the company board of directors and senior management will review and assess the significant risks and the implications from the Business Plan on capital with the Appointed Actuary, and take actions as needed. The DCAT report is expected to be prepared in accordance with the Canadian Institute of Actuaries Standards of Practice and signed by the Appointed Actuary.

Please refer to the following directives released by OSFI and take note of FSCO's position on the respective issue:

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#### Disruption Notice

Please consult our [outage schedule](#) for more details.

## Minimum Capital Test (MCT) Guideline Revision for 2019 for Property & Casualty Insurance Companies

FSCO is adopting the Guideline on *Minimum Capital Test* (MCT) for property and casualty insurance companies that was released by OSFI in November 2018. The Guideline, *Minimum Capital Test*, comes into effect on January 1, 2019 and is available on OSFI's website: [http://www.osfi-bsif.gc.ca/Eng/finance/if/rg-ro/gdn-ort/gd-ld/Pages/mct2019.aspx](http://www.osfi-bsif.gc.ca/Eng/finance/if/rg-ro/gdn-ort/gl-ld/Pages/mct2019.aspx) .


## Life Insurance Capital Adequacy Test (LICAT) Guideline 2019 for Life Insurance Companies

FSCO is adopting the Guideline on *Life Insurance Capital Adequacy Test (LICAT)* for life insurance companies and fraternal benefit societies that was released by OSFI in September 2018. Effective, January 1, 2019, the LICAT guideline will replace the *Minimum Continuing Capital and Surplus Requirements* (MCCSR) guideline and is available on OSFI's website: [http://www.osfi-bsif.gc.ca/Eng/finance/if/rg-ro/gdn-ort/gd-ld/Pages/LICAT19\\_index.aspx](http://www.osfi-bsif.gc.ca/Eng/finance/if/rg-ro/gdn-ort/gl-ld/Pages/LICAT19_index.aspx) .

## IFRS-17

In May 2017, the International Accounting Standards Board (IASB) issued the final version of the IFRS 17 *Insurance Contracts* Standard. IFRS 17 replaces IFRS 4 and is effective for annual periods beginning on or after January 1, 2021. The Canadian Accounting Standards Board endorsed IFRS 17, which is now incorporated into Part I of the CPA Canada Handbook - Accounting.

Ontario regulated insurers are subject to IFRS and thus, to this reporting standard, which will affect the recognition and measurement, and presentation and disclosure of insurance contracts.

FSCO considers IFRS 17 preparedness to be an enterprise risk and will therefore be monitoring Ontario insurers' response to this risk. As such, a separate letter asking three questions has been sent to Ontario insurers regarding their progress made in preparation for IFRS-17. Please note that this is an initial request and that there will be further follow-up similar to OSFI's requirements, which can be referenced in its advisory regarding IFRS 17 transition: [http://www.osfi-bsif.gc.ca/Eng/finance/if/rg-ro/gdn-ort/advisory/Pages/ifrs17\\_let.aspx](http://www.osfi-bsif.gc.ca/Eng/finance/if/rg-ro/gdn-ort/advisory/Pages/ifrs17_let.aspx) .

We look forward to receiving the information requested on or before the dates indicated for each item above.

[Back to top](#)

Page: **5,322** | [Find Page:](#)