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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.

## Superintendent's Minimum Capital Test Guideline

### About the Minimum Capital Test

The Minimum Capital Test (MCT) is a harmonized capital adequacy solvency test that applies throughout Canada to property and casualty (P&C) insurers. It ensures that consistent capital framework requirements apply to all P&C insurers operating in Canada. The MCT has been mandatory since 2004 for P&C insurers licensed in Ontario.

### January 1, 2019 Updates to Superintendent's Guideline

The Office of the Superintendent of Financial Institutions (OSFI) traditionally leads MCT updates made in alignment with international best practices through its [Guideline A, Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies](#) (OSFI Guideline).

OSFI released a revised OSFI Guideline which took effect January 1, 2019. Amendments included the implementation of International Financial Reporting Standard 16 – Leases, the treatment of reinsurance, securitized assets, and the recognition of additional rating agencies for regulatory capital purposes.

The Superintendent of Financial Services has adopted the updated OSFI Guideline and incorporated its changes into the [Minimum Capital Test Guideline for Property and Casualty Insurance Companies – Superintendent's Guideline No. 08/04, August 2004, as amended and effective January 1, 2019](#) (Superintendent's Guideline).

### Application

Subsection 102(8) of the [Insurance Act](#) requires all P&C licensed insurers and reinsurers in Ontario (except for those noted below) to maintain adequate capital in compliance with requirements prescribed by regulation. In this regard, [Ontario Regulation 259/04: Minimum Capital Test](#) refers to compliance with the requirements set out in the Superintendent's Guideline.

Reciprocal insurance exchanges and farm mutual insurers are exempt from MCT compliance because they have either a subscribers' agreement (reciprocals), or membership in the Fire Mutuals Guarantee Fund (farm mutuals) to provide support for their capital. However, reciprocals and farm mutual insurers must

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still file the MCT with the Financial Services Commission of Ontario (FSCO) for the purposes of providing an evaluation comparable to other insurers.

Ontario-licensed P&C insurers that are federally-regulated and file the MCT with OSFI are not required to file with FSCO.

Ontario-licensed P&C insurers incorporated in other provinces are not required to file the MCT with FSCO if the OSFI Guideline or an equivalent MCT framework has been adopted by their incorporating province.




## Supervision of Insurer Solvency

Following the Ontario government's 2018 Budget, legislation (Plan for Care and Opportunity Act [Budget Measures], 2018, [Bill 31]) was enacted that, if proclaimed, would amend the Insurance Act and the Corporations Act such that the solvency oversight responsibilities of the Financial Services Regulatory Authority of Ontario (FSCO's successor) would be limited to Ontario licensees that are:

- reciprocals,
- publicly owned insurers,
- insurers owned or incorporated by professional regulatory bodies, and
- Ontario farm mutuals.

Other insurers licensed in Ontario would be required to be incorporated in a jurisdiction that meets international solvency standards.

## Additional Resources

- [Plan for Care and Opportunity Act \(Budget Measures\), 2018 \(Bill 31\)](#) 
- [Budget 2018, Modernizing the Regulation of Insurance](#) 
- [Superintendent's Guideline](#) 
- [OSFI Guideline A, Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies](#) 