



Unclassified

Reference: Guideline for Life Insurers

Our File: P2212-9

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To: Federally Regulated Life Insurance Companies

Subject: Guideline A-2 - Capital Regime for Regulated Insurance Holding Companies and Non-Operating Life Companies

Attached is Guideline A-2, *Capital Regime for Regulated Insurance Holding Companies and Non-Operating Life Companies*, that sets out a framework for assessing the capital adequacy of insurance holding companies and non-operating life companies.

This regime is designed to ensure that there is adequate capital in a consolidated group led by a holding company to cover unexpected losses. In limited situations, instead of consolidating, OSFI allows a deduction for investments in significant foreign life subsidiaries. This approach recognizes that a foreign regulator's rules sometimes better reflect the risks inherent in the local market. Like the new Basel framework for banks, this approach considers the adequacy of capital across the group, is more risk sensitive and promotes good disclosure practices.

Questions regarding the Guideline should be directed to Aina Liepins, Senior Analyst, Capital Division at (613) 991-5555, or by e-mail at aina.liepins@osfi-bsif.gc.ca.

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