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<b>BULLETIN NUMBER:</b>	<b>INS-11-004</b>
<b>TITLE:</b>	<b>FREQUENCY OF STRESS TESTING AND DYNAMIC CAPITAL ADEQUACY TESTS (“DCAT”) FOR INSURANCE COMPANIES</b>
<b>LEGISLATION:</b>	<b><i>FINANCIAL INSTITUTIONS ACT</i></b>
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## PURPOSE

The purpose of the Bulletin is to set out the frequency expectations and considerations for stress testing programs, and in particular, the Dynamic Capital Adequacy Tests (“DCAT”) for British Columbia provincially incorporated insurance companies (“provincial insurers”).

In reading this bulletin, reference should be made to the Financial Institutions Commission’s (“FICOM”) Bulletin INS-10-002 “Stress Testing and Dynamic Capital Adequacy Test (“DCAT”) for Insurance Companies” released in March 2010, which sets the expectations and considerations in preparing stress tests.

## DISCUSSION

FICOM has adopted the federal Office of the Superintendent of Financial Institutions’ (“OSFI”) Guideline E-18 for provincial insurers, except where there are differences due to law, regulation, and filing instructions.

One notable exception for provincial insurers is the frequency of DCAT preparation. Unlike federally regulated insurers, there is no annual DCAT requirement for provincial insurers.

It is FICOM’s expectation that the frequency of preparation be determined by the provincial insurer’s Board of Directors in close consultation with its senior management and appointed actuary. The frequency should be no more than three year intervals (i.e. annually, bi-annually or tri-annually) and should take into account the insurer’s overall risk profile.

Additionally, as part of regular review processes, FICOM will assess an insurer's established Board policies and procedures including, but not limited to:

- Frequency and timing of an insurer's DCAT preparation and reporting;
- Requirements for *interim* DCAT preparation and reporting;
- Requirements for DCAT integration into the insurer's risk management and capital management; and
- Frequency and timing for reviewing DCAT scenarios.

For more information on the OSFI E-18 Guideline, please visit the link below:

[http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/sound/guidelines/e18\\_e.pdf](http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/sound/guidelines/e18_e.pdf)

If there are any questions about this bulletin, please contact the Insurance Department staff at [Insurance@ficombc.ca](mailto:Insurance@ficombc.ca).

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