LIMAT Public Disclosure Summary

somewhat different

Hannover Re (Ireland) DAC – Canadian Life Branch
Life Insurance Margin Adequacy Test (LIMAT)
As at December 31, 2020

The Life Insurance Margin Adequacy Test (LIMAT) is a risk-based measure established by OSFI for all federally regulated foreign life insurance companies operating in Canada on a branch basis.

The LIMAT formula has been designed to measure the adequacy of margin of assets over liabilities of a branch and is one of several indicators that OSFI uses to assess a branch's financial condition.

Branches are required, at minimum, to maintain a Total Ratio of 90%. OSFI has established a supervisory target level of 100% for Total Margin.

LIMAT Ratios Public Disclosure Summary				
(in thousands of CAD dollars, except percentages)				
Branches are required, at minimum, to maintain a Total Ratio of 90%. OSFI has established a supervisory target level of 100% for Total Margin.				
Definition of terms can be found in Guideline A at LICAT - Life Insurance Capital Adequacy Test.				
		Current Period	Prior Period	Change %
Available Margin (A – B)	C	29,185	30,246	-4%
Assets Available	A	99,937	70,485	42%
Assets Required	B	70,752	40,239	76%
Surplus Allowance and Eligible Deposits	D	629,882	121,045	420%
Required Margin	E	408,228	94,430	332%
LIMAT Total Ratio: ([C + D] / E) x 100		161%	160%	1%

Qualitative details

- The LIMAT Total Ratio was 161% as of 31 December 2020, compared to 160% for the same period in 2019.
- The Available Margin (C) of $29.2 million was the difference between Assets Available (A) of $99.9 million and Assets Required (B) of $70.8 million.
- The Surplus Allowance includes provisions for adverse deviations (PfADs). New business written in 2020 has increased this value. The Eligible Deposits represent collateral deposits in excess of liabilities ceded.
- The Required Margin (E) of $408.2 million was the sum of Solvency Buffers for Credit, Market, Insurance and Operational risk components, net of Diversification Credits, multiplied by a scalar of 1.05 in accordance with the OSFI LICAT Guideline. The increase in Required Margin in 2020 is due to new business.

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