



## News Release

For immediate release

### **OSFI issues for public consultation a draft advisory updating its capital requirements for residential mortgage insurance risk**

**OTTAWA – September 23, 2016 – The Office of the Superintendent of Financial Institutions Canada**

The Office of the Superintendent of Financial Institutions Canada (OSFI) today released for comment a draft advisory updating the capital requirements for residential mortgage insurance risk.

The draft advisory – *Capital Requirements for Federally Regulated Mortgage Insurers*, provides a new standard approach for residential mortgage insurance that is more risk sensitive, and incorporates new key drivers of risk and loss including creditworthiness, remaining amortization, and outstanding loan balance. The planned changes to the regulatory capital framework for mortgage insurers will ensure that capital requirements keep pace with market conditions and more accurately reflect the underlying risks.

“When house prices are high relative to borrower incomes, the new framework will require that more capital be set aside,” said Superintendent Jeremy Rudin. “Ultimately this will continue to provide a level of protection to both policyholders and unsecured creditors.”

Along with OSFI’s *Minimum Capital Test* Guideline, the draft advisory will provide the framework within which the Superintendent will assess whether a mortgage insurer is maintaining adequate capital.

As mentioned in its December 2015 letter to industry, OSFI is taking this initiative to improve the measurement of capital held by mortgage insurers to better position them to withstand severe but plausible losses stemming from their mortgage insurance operations.

The proposed advisory will come into force on January 1, 2017 and will replace OSFI’s current advisory: *Interim Capital Requirements for Mortgage Insurance Companies*, released in January 2015.

#### **Quick Facts**

- OSFI is inviting comments on the draft advisory, which it will consider in developing the final advisory. The deadline for receipt of comments is October 21, 2016.
- The draft advisory was developed with feedback from directed stakeholder consultations and impact analyses focused on specific aspects of the capital requirements for residential mortgage insurance risk.
- A non-attributed summary of industry comments received, along with OSFI’s responses, will be posted on OSFI’s website when the final advisory is released in December 2016.

#### **Associated Links**

- [Cover letter](#)
- [Draft advisory – \*Capital Requirements for Mortgage Insurance Companies\*](#)
- [Guidance Impact Analysis Statement](#)

## **About OSFI**

[The Office of the Superintendent of Financial Institutions](#) (OSFI) is an independent agency of the Government of Canada, established in 1987, to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks.

- 30 -

## **Media Contact:**

Annik Faucher  
OSFI – Public Affairs  
[annik.faucher@osfi-bsif.gc.ca](mailto:annik.faucher@osfi-bsif.gc.ca)  
613-949-8401