

LIMAT Public Disclosure Summary

Hannover Re (Ireland) DAC – Canadian Life Branch

Life Insurance Margin Adequacy Test (LIMAT)

As at December 31, 2019

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	30,246	42,730	-29%
<i>Assets Available</i>	A	70,485	68,033	4%
<i>Assets Required</i>	B	40,239	25,303	59%
Surplus Allowance and Eligible Deposits	D	121,045	64,231	88%
Required Margin	E	94,430	48,932	93%
LIMAT Total Ratio: ([C + D] / E) x 100		160%	219%	-59%

Qualitative details

- The LIMAT Total Ratio was 160% as of 31 December 2019. The Total Ratio fell by 59% compared to the same period in 2018. This reduction was due to new business written in 2019.
- The Available Margin (C) of \$30.2 million was the difference between Assets Available (A) of \$70.4 million and Assets Required (B) of \$40.2 million.
- The Surplus Allowance includes provisions for adverse deviations (PfADs). The Eligible Deposits represent collateral deposits in excess of liabilities ceded.
- The Required Margin (E) of \$94.4 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.