

LIMAT Public Disclosure Summary

Hannover Re (Ireland) DAC – Canadian Life Branch

Life Insurance Margin Adequacy Test (LIMAT)

As at December 31, 2022

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)				
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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	70,906	29,528	140%
<i>Assets Available</i>	A	161,210	112,784	43%
<i>Assets Required</i>	B	90,304	83,256	8%
Surplus Allowance and Eligible Deposits	D	837,147	769,303	9%
Required Margin	E	598,060	524,206	14%
LIMAT Total Ratio: ([C + D] / E) x 100		152%	152%	0%

Qualitative details

- The LIMAT Total Ratio was 152% as of 31 December 2022, compared to 152% for the same period in 2021.
- The Available Margin (C) of \$70.9 million was the difference between Assets Available (A) of \$161.2 million and Assets Required (B) of \$90.3 million.
- The Surplus Allowance includes provisions for adverse deviations (PfADs). New business written in 2022 has increased this value. The Eligible Deposits represent collateral deposits in excess of liabilities ceded.
- The Required Margin (E) of \$598.1 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 2022 is due to new business.