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| STAGE 0 | ***No significant problems/Normal activities –*** If OSFI determines that the company’s financial condition, policies and procedures are sufficient and that practices, conditions and circumstances do not indicate significant problems or control deficiencies, the company will not typically be staged. When a company is not staged, OSFI has determined that the combination of the company’s overall net risk, capital and earnings makes the company resilient to most normal adverse business and economic conditions. The company’s performance has been satisfactory to good, with most key indicators comparable or in excess of industry norms. The company may have access to additional capital and is able to address supervisory concerns that might arise. **OSFI’s activities/responsibilities may involve:** * Assessing the financial condition and operating performance of the company.
* Reviewing information obtained from statutory filings, financial reporting requirements and management reporting to the board (including minutes of the board and board committee meetings).
* Conducting meetings with the company.
* Conducting regular risk-based supervisory reviews of the company.
* In some cases, OSFI officials attending board meetings of the company to review the on-site supervisory review results.
* Providing the company with the supervisory letter.
* Providing the chair of the audit committee with copies of supervisory letters.
* Providing composite risk ratings to the company.
* Requesting that the company’s management provide a copy of the supervisory letter to external auditors.
* Advising the company of any corrective measures that the company will be requested to undertake.
* Monitoring any corrective measures which may include requesting additional information and/or conducting follow-up supervisory reviews.
* Reporting to the Minister of Finance on an annual basis.
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| STAGE 1 | ***Stage 1 -- Early warning –*** If a company is categorized as Stage 1, OSFI has identified deficiencies in the company’s financial condition, policies or procedures or the existence of other practices, conditions and circumstances that could lead to the development of problems described at Stage 2 if they are not promptly addressed. The following conditions could lead to OSFI categorizing a company as Stage 1: * the combination of the company’s overall net risk and its capital and earnings compromises the company’s resilience.
* the company has issues in its risk management or control deficiencies, although not serious enough to present a threat to financial viability or solvency that could deteriorate into more serious problems if not addressed.

**In addition, to its normal activities, at Stage 1, OSFI’s activities/ responsibilities may involve:** * Formally notifying management, board of directors and external auditor of the company by way of a supervisory letter that the company is at Stage 1 and that the company is required to take measures to mitigate or rectify the identified deficiencies.
* Meeting with management, board of directors (or a committee of the board) and/or the external auditor of the company to outline concerns and discuss remedial actions.
* Sending a notice of the assessment surcharge to the company.
* Monitoring the company on an escalating basis by increasing the frequency of reporting requirements and/or expanding the level of detail of information that the company is required to submit.
* Conducting enhanced or more frequent supervisory reviews, or directing the company’s internal specialists to conduct reviews that focus on particular areas of concern such as asset valuations or policy liability valuations.
* Entering into a prudential agreement with the company for the purposes of implementing any measure designed to maintain or improve the safety and soundness of the company.
* Requiring the company to increase its capital.
* Imposing business restrictions on the company in appropriate circumstances and/or issuing a direction of compliance in appropriate circumstances.
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| STAGE 2 | ***Stage 2 -- Risk to financial viability or solvency*** – At Stage 2, the company poses material safety and soundness concerns and is vulnerable to adverse business and economic conditions. OSFI has identified problems that could deteriorate into a serious situation if not addressed promptly, although the problems are not serious enough to present an immediate threat to financial viability or solvency. One or more of the following conditions would likely lead OSFI to classify a company as Stage 2: * The combination of the company’s overall net risk and its capital and earnings makes it vulnerable to adverse business and economic conditions, which may pose a serious threat to its financial viability or solvency unless effective corrective action is implemented.
* The company has issues in its risk management that, although not serious enough to present an immediate threat to financial viability or solvency, could deteriorate into more serious problems if not addressed promptly.

**In addition to its activities at the preceding stages, OSFI’s activities/ responsibilities may involve:*** Enhanced monitoring of remedial measures through imposing more frequent reporting requirements.
* Conducting follow-up supervisory reviews more frequently and/or enlarging their scope.
* Requiring the company to incorporate in the business plan appropriate remedial measures aimed at rectifying problems within a specified time frame.
* Requiring the company's external auditor to enlarge the scope of the review of the financial statements and/or to perform other procedures and prepare a report thereon. Note - OSFI may assign the cost of the external auditor's work to the company.
* Requiring the company to conduct a special audit to be performed by an auditor other than the company's external auditor. Note - OSFI may assign the cost of the auditor's work to the company.
* Requiring the appointed actuary to provide policy liabilities calculated using alternate assumptions or methods.
* Requiring an external actuary to perform a special review of the company’s actuarial reserves.
* Developing a contingency plan to enable OSFI to be ready to take control of the assets of the company or the company itself in case of rapid deterioration.
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| STAGE 3 | ***Stage 3 -- Future financial viability in serious doubt*** – If a company is categorized as Stage 3, OSFI has identified that the company has failed to remedy the problems that were identified at Stage 2 and the situation is worsening. The company has severe safety and soundness concerns and is experiencing problems that pose a material threat to its future financial viability or solvency unless effective corrective measures are promptly undertaken.One or more of the following conditions are present: * The combination of the company’s overall net risk and its capital and earnings makes it vulnerable to adverse business and economic conditions, which poses a serious threat to its financial viability or solvency unless effective correction action is promptly undertaken.
* The company has serious issues in risk management or control deficiencies, which present a serious threat to its financial viability or solvency unless effective correction action is promptly undertaken.

**In addition to its activities at the preceding stages, OSFI’s activities/responsibilities may involve:** * Directing external specialists or professionals to assess certain areas such as quality of assets, liquidity, sufficiency of reserves, sufficiency of policy liabilities, reliability of reinsurance arrangements, etc.
* Enhancing the scope of business restrictions that have already been imposed on the company and/or expanding the level of detail of information that the company is required to submit to OSFI.
* OSFI staff being present at the company to monitor the situation on an ongoing basis.
* Expanding contingency planning.
* Communicating to management and the board of directors of the company the importance of considering resolution options such as restructuring the company or seeking out a prospective purchaser.
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| STAGE 4 | ***Stage 4 – Non-viability/ insolvency imminent*** – If a company is categorized as Stage 4, OSFI has determined that it is experiencing severe financial difficulties and has deteriorated to such an extent that: * the company has failed to meet regulatory capital and surplus requirements in conjunction with an inability to rectify the situation on an immediate basis;
* the statutory conditions for taking control have been met; and/or
* the company has failed to develop and implement an acceptable business plan, resulting in either of the two preceding circumstances becoming inevitable within a short period of time.

**At Stage 4, OSFI has determined that the company will become non-viable on an imminent basis.** **In addition to its activities at the preceding stages, OSFI activities/ responsibilities may involve:** * Assuming temporary control of the assets of the company and the assets under its administration (or in the case of a foreign company, of its assets in Canada together with its other assets held in Canada under control of its chief agent, including all amounts received or receivable in respect of its insurance business in Canada) if the statutory conditions for taking control of assets exist.
* Taking control of assets of the company and the assets under its administration (or in the case of a foreign company, of its assets in Canada together with its other assets held in Canada under the control of its chief agent, including all amounts received or receivable in respect of its insurance business in Canada) or taking control of the company if the statutory conditions for taking control exist, unless the Minister advises OSFI that it is not in the public interest to do so.
* Requesting that the Attorney General of Canada apply for a winding-up order in respect of the company where the assets of the company or the company itself is under the control of the Superintendent or the insurance business in Canada of the foreign company, where the assets in Canada of the foreign company are together with its other assets under the control of the Superintendent.
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