

BULLETIN NUMBER:	INS-18-001
TITLE:	OBTAINING A BUSINESS AUTHORIZATION TO OPERATE AN EXTRAPROVINCIAL INSURANCE CORPORATION IN BRITISH COLUMBIA
LEGISLATION:	<i>FINANCIAL INSTITUTIONS ACT</i>
DATE:	OCTOBER 2018
DISTRIBUTION:	ALL INTERESTED APPLICANTS

PURPOSE

This bulletin outlines the application process through which an extraprovincial insurance corporation may apply to the Financial Institutions Commission (FICOM) for a business authorization to conduct general and/or life insurance business in the province of British Columbia (BC). An extraprovincial insurance corporation is not permitted to carry on insurance business in BC unless it has received a business authorization from FICOM.

This bulletin includes:

- overview of legislative provisions;
- overview of the application process; and
- timelines and submission instructions.

BACKGROUND INFORMATION

An extraprovincial insurance corporation is a corporation authorized to carry on insurance business under the laws of a jurisdiction other than BC. To conduct insurance business in BC, an extraprovincial insurance corporation must apply for authorization from FICOM. Prior to submitting an application, the extraprovincial insurance corporation must apply to the Registrar of Companies (the “Registrar”) to register as an extraprovincial corporation. Information regarding this process can be found on the Registrar’s [website](#).

In assessing an application, FICOM staff will consider legislative compliance and the criteria set out by FICOM.

LEGISLATIVE PROVISIONS

Pursuant to Section 159 of the *Financial Institutions Act* (FIA), an extraprovincial insurance corporation must have a business authorization to conduct insurance business in BC.

An extraprovincial insurance corporation whose primary jurisdiction is not Canada may be granted a business authorization in BC under Section 160(3) of the FIA. A business authorization will not be issued if the Commission believes on reasonable grounds that it is not in the public interest to do so.

Section 160(6) of the FIA provides that FICOM must issue a business authorization to an extraprovincial insurance corporation whose primary jurisdiction is Canada upon submission of an application that is satisfactory to the Commission.

Section 158 of the FIA delineates the provisions of the Act that apply to and in respect of an extraprovincial insurance corporation dependent upon the jurisdiction of the entity. Applicants are encouraged to review and conduct a self-assessment against the Guidelines adopted from the Office of the Superintendent of Financial Institutions when submitting an application for authorization.

APPLICATION PROCESS

Applicants must submit the following materials to FICOM:

- non-refundable application fee payable to the Minister of Finance¹;
- evidence that the corporation is authorized by its primary jurisdiction;
- corporate profile and history of the corporation;
- business plan that contains the following information:
 - analysis of target market and description of marketing strategy in BC;
 - description of intended products and distribution channels for business in BC;
 - description of management expertise in proposed product lines;
 - claims handling procedures;
 - description of product training for employees and/or agents;
 - copy of complaints handling procedures and description of customer support services;
 - confirmation that employees, agents and/or third party service providers are licensed in BC if so required;
 - analysis of key risks and risk mitigation strategies;
 - the internal Minimum Capital Test (MCT)/Life Insurance Capital Adequacy Test (LICAT)/Branch Adequacy of Assets Test (BAAT)/Life Insurance Margin

¹ Please refer to Schedule 1 of the FIA [Financial Institutions Fees Regulation](#) for further information on fees applicable to each transaction. Applications to obtain business authorization to operate an extraprovincial insurance corporation in BC are under Section 160 of the FIA.

- Test (LIMAT) target – whichever ratio is applicable – as set by the Board of Directors and the minimum target as determined by the primary jurisdiction;
- organizational chart showing any parent company or other ownership information, affiliates, and subsidiaries; and
 - description of material outsourcing arrangements with affiliates or third parties;
- a completed Canadian Council of Insurance Regulators [application form](#) along with relevant appendices;
 - copies of all insurance policies, application forms and marketing materials that the corporation intends to issue in BC;
 - a description of intended reinsurance arrangements and net retention level of risk;
 - audited financial statements for the past three years including MCT/LICAT/BAAT/LIMAT, whichever ratio is applicable;
 - pro-forma financial projections over the five year forecast including:
 - total projections for the corporation's operations;
 - gross/net written premium, revenue, and net earnings forecasts for BC only;
 - MCT/LICAT/BAAT/LIMAT, whichever ratio is applicable;
 - actuarial report including a Dynamic Capital Adequacy Test (DCAT) report prepared by a qualified actuary;
 - copy of the investment policy;
 - current curriculum vitae for each director, senior officer and significant shareholder (those owning or controlling 10 per cent or more of the voting shares of the company);
 - description of Board composition and a list of the members of the following committees: Audit, Investment and Lending and Conduct Review; and
 - documentation providing proof that the corporation is a member in good standing of an approved insurance compensation plan:
 - Assuris for life/health insurers; or
 - Property and Casualty Insurance Compensation Corporation (PACICC) for general insurers.

While this bulletin provides direction to extraprovincial insurance corporations on the requirements of an application for business authorization, the particular circumstances of each application may necessitate additional criteria or information.

TIMELINES AND SUBMISSION INSTRUCTIONS

All notices and materials referenced in this bulletin, as well as any enquiries, can be submitted via email to StatApprovals@ficombc.ca or by mail to the following address:

Financial Institutions Division C/O Statutory Approvals
2800 – 555 West Hastings Street
Vancouver, BC V6B 4N6

FICOM staff will begin their review of an application upon receipt of the requested documentation in full. Please reference [Information Bulletin FI-18-00 –Timelines for Statutory Approvals Applications](#) for application timelines.

The timeline above serves as a general guideline, but may vary depending on the volume of requests received and the complexity of the individual application. FICOM staff will undertake to complete assessments as quickly as possible; however, the length of time spent reviewing an application will depend on the specifics of each application. An applicant can expedite the process by filing a complete application and providing all required supporting information at the outset of the application process.

Applicants should be aware that, in addition to the review conducted by staff, the application may be required to be presented to and approved by the Commission and this can impact the length of time required for an applicant to receive a decision.

At the Financial Institutions Commission, we issue Information Bulletins to provide technical interpretations and positions regarding certain provisions contained in the *Financial Institutions Act* and *Insurance Act*, Regulations and other pertinent legislation. While the comments in a particular part of an Information Bulletin may relate to provisions of the law in force at the time they were made, these comments are not a substitute for the law. The reader should consider the comments in light of the relevant provisions of the law in force at the time, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made. Subject to the above, an interpretation or position contained in Information Bulletin generally applies as of the date on which it was published, unless otherwise specified.