

<b>BULLETIN NUMBER:</b>	<b>INS-18-002</b>
<b>TITLE:</b>	<b>RENEWAL OF RECIPROCAL EXCHANGE PERMIT</b>
<b>LEGISLATION:</b>	<b><i>FINANCIAL INSTITUTIONS ACT</i></b>
<b>DATE:</b>	<b>OCTOBER 2018</b>
<b>DISTRIBUTION:</b>	<b>RECIPROCAL EXCHANGES AUTHORIZED IN BRITISH COLUMBIA</b>

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## **PURPOSE**

This bulletin outlines the annual renewal requirement for a reciprocal exchange permit pursuant to the *Financial Institutions Act* (FIA).

## **BACKGROUND INFORMATION**

A reciprocal exchange is a group of persons the members of which agree to insure each other, to the extent and in the manner agreed on, under one or more contracts of reciprocal insurance, in consideration of each of the others entering into one or more of the contracts. In order to conduct insurance business in BC, a reciprocal exchange must apply for authorization from the Financial Institutions Commission (FICOM).

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

## **LEGISLATIVE PROVISIONS**

Section 187 of the FIA applies to reciprocal exchanges, and pursuant to Subsection 187(8), a reciprocal exchange is required to renew its permit with the Commission each year.

## **APPLICATION PROCESS**

A reciprocal exchange must submit the following items to FICOM no later than March 31 of each year:

- non-refundable application fee payable to the Minister of Finance<sup>1</sup>;
- a completed [Application for Renewal of Reciprocal Exchange Permit](#) (Form 10);
- details of any changes to the reciprocal exchange's operations, policies, reinsurance business, subscribers, or any other changes that may not have been reported to the Superintendent;
- a list of all current members of the reciprocal exchange;
- an actuarial statement prepared by an actuary or other qualified person approved by the Superintendent;
- audited financial statements for the preceding December 31 financial year end;
- information related to the reciprocal exchange's maintenance of a Minimum Capital Test ratio (while there are no specific capital requirements in the FIA for reciprocal exchanges, the reciprocal's equity should be adequate to absorb unexpected losses);
- a copy of the reciprocal exchange's December 31 financial year end P&C-1 in both ASCII and Special Excel file formats (Excel format available at <http://www.osfi-bsif.gc.ca/Eng/fi-if/rtn-rlv/fr-rf/ic-sa/pc-sam/Pages/pc1.aspx>);
- three-year financial projections;
- for BC-based reciprocal exchanges: Personal Information Returns (PIRs) that have not been previously submitted for the general manager or equivalent and new directors, as well as any changes to previously filed PIRs of the general manager or equivalent and directors (the general manager or equivalent and directors of non BC-based reciprocal exchanges are not required to submit PIRs); and
- copies of non-financial related information, if specifically requested by staff, such as governance structure and committee terms of reference, minutes and agendas, budgets and strategic plans, other governance documents, and management policies and procedures.

## 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](mailto: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

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<sup>1</sup> Please refer to Schedule 1 of the FIA [Financial Institutions Fees Regulation](#) for further information on fees applicable to each transaction. Applications to renew reciprocal exchange permits in BC are under Section 187 of the FIA. A renewal of a reciprocal exchange permit is considered a reissuance of the permit.

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.

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 an information bulletin generally applies as of the date on which it was published, unless otherwise specified.