

<b>BULLETIN NUMBER:</b>	<b>INS-18-003</b>
<b>TITLE:</b>	<b>AMENDING A BUSINESS AUTHORIZATION FOR BRITISH COLUMBIA INCORPORATED INSURANCE COMPANIES AND EXTRAPROVINCIAL INSURANCE CORPORATIONS</b>
<b>LEGISLATION:</b>	<b><i>FINANCIAL INSTITUTIONS ACT</i></b>
<b>DATE:</b>	<b>OCTOBER 2018</b>
<b>DISTRIBUTION:</b>	<b>AUTHORIZED INSURANCE COMPANIES AND EXTRAPROVINCIAL INSURANCE CORPORATIONS</b>

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## **PURPOSE**

This bulletin describes the process and requirements to amend a business authorization of British Columbia (BC) incorporated insurance companies and extraprovincial insurance corporations carrying on business in BC.

Two major reasons for amendments to business authorization are additions and removals of classes of insurance.

## **BACKGROUND INFORMATION**

The Financial Institutions Commission (FICOM) administers provincial statutes which outline the licensing and regulatory framework of insurance companies and extraprovincial insurance corporations operating in BC. Changes in business authorizations require statutory approval; statutory approvals are governed by the *Financial Institutions Act* (FIA) and its regulations.

FICOM's mandate is to safeguard confidence and stability in BC's financial sector by protecting consumers from undue loss and unfair market conduct. FICOM fulfills its mandate by making regulatory decisions on business transactions as required by the governing provincial statutes.

## LEGISLATIVE PROVISIONS

The definitions of an insurance company and an extraprovincial insurance corporation are contained in Section 1 of the FIA. Changes to business authorizations for insurance companies and extraprovincial insurance corporations are governed by Section 61 and Section 160 of the FIA, respectively.

## APPLICATION PROCESS

An insurance company or an extraprovincial insurance corporation (the applicant) seeking to amend its business authorization in BC must submit the harmonized *Application Form for New Insurers and License Amendments*, available at the Canadian Council of Insurance Regulators website, and return the original business authorization issued by FICOM.

To add a class of insurance to its business authorization, the applicant should provide a plan of operations that includes:

- For extraprovincial insurance corporations, certificate indicating approved classes of insurance issued by the regulator in the province of incorporation or, if federally registered, a copy of the Order to Insure in Canada Risks issued by the Office of the Superintendent of Financial Institutions;
- a description of the type of risk and type of policy to underwrite;
- an analysis of the proposed target market and competitors, showing both threats and opportunities and how the applicant plans to address them;
- a description of how the applicant will underwrite, sell, administer, and service the new class of insurance, as well as the proposed distribution channel and claims handling;
- information about the expertise and experience of senior management and staff that will underwrite the new business;
- a three-year forecast of the new class of insurance (in Canada and in BC) and its effect on the financial condition and risk profile of the applicant, including:
  - financial information regarding the new class of insurance, including relevant assumptions relating to the pricing and underwriting of policies, expected claims, premium income, expenses, actuarial liabilities, related investment income, and persistency of policies;
  - a comparative pro forma balance sheet and income statement with assumptions:
    - as at or about the date of the application; and
    - for each of the next three financial year-ends;
  - for BC insurance companies, a comparative pro forma capital position confirming compliance with capital requirements as follows:
    - for a life insurance company, the Life Insurance Capital Adequacy Test (LICAT); or

- for a property and casualty insurance company, details of the Minimum Capital Test;
- for extraprovincial insurance corporations, a comparative pro forma capital position confirming compliance with capital requirements in the applicant's primary jurisdiction, and, if federally registered:
  - the Life Insurance Capital Adequacy Test (LICAT) for a life insurance company; or
  - details of the Minimum Capital Test for a property and casualty insurance company; and,
- an overview of the risk management and control processes for the new class of insurance, including those related to:
  - product design and pricing management;
  - underwriting and liability management; and
  - reinsurance arrangements and risks retention levels.

For the addition of a class of insurance, staff will assess the impact of the addition on the applicant's liability mix, capital, income, liquidity position, and risk profile. Staff will also assess that the applicant has adequate and appropriate risk management policies and practices in place to manage the new class of insurance in BC, and that the applicant will have in place satisfactory enquiries, claims, and complaints handling for its customers in BC. The applicant must not carry on business in the requested class of insurance unless approval is granted on the class.

For the deletion of a class of insurance, the applicant should provide a letter signed by a senior officer stating that the company has discharged, or provided for the discharge of, unearned premiums, unpaid claims, and any outstanding liabilities in respect of the policies underwritten under the class of insurance to be deleted. The letter must include information on the manner in which it has obtained the surrender of the outstanding policies or discharged, or provided for the discharge of, all of its liabilities under these policies, as well as how and when its customers will be notified about the changes.

As some transactions may not require amendments to the business authorization, the applicant may wish to contact us to enquire about what kind of application, if any, is required.

Some transactions are subject to fees. Please refer to Schedule 1 of the [Financial Institutions Fees Regulation](#) for further information on fees applicable to each transaction. Cheques must be made payable to the Minister of Finance. Amendments of business authorizations are treated as applications for new business authorizations, and the fee will vary depending on the nature of the amendment.

## 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

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 presented to and approved by the Commission and this can impact the length of the 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 an information bulletin generally applies as of the date on which it was published, unless otherwise specified.