

<b>BULLETIN NUMBER:</b>	<b>INS-18-005</b>
<b>TITLE:</b>	<b>CEASING BUSINESS OR WINDING UP A CAPTIVE INSURANCE COMPANY</b>
<b>LEGISLATION:</b>	<b><i>INSURANCE (CAPTIVE COMPANY) ACT</i></b>
<b>DATE:</b>	<b>OCTOBER 2018</b>
<b>DISTRIBUTION:</b>	<b>BRITISH COLUMBIA REGISTERED CAPTIVE INSURANCE COMPANIES</b>

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## **PURPOSE**

This bulletin outlines the process by which a British Columbia (BC) registered captive insurance company may cease to carry on insurance business, and wind up its captive insurance program.

## **BACKGROUND INFORMATION**

A captive insurance company is a BC company registered under the *Insurance (Captive Company) Act* (ICCA). In order to carry on captive insurance business in BC, a captive insurance company must be registered by the Superintendent, and must continue to renew its registration on an annual basis.

If a captive insurance company wishes to cease doing insurance business in BC, it may wind up its captive insurance program providing it has met the legislative requirements of the ICCA.

## **LEGISLATIVE PROVISIONS**

By virtue of ICCA Section 3, the *Financial Institutions Act* (FIA) applies to captive insurance companies as follows:

Section 41(1) requires that a captive insurance company, before or concurrently with ceasing to carry on business in BC, must provide for the whole sum insured under each of its contracts of insurance in BC subsisting at the time of ceasing to carry on business by:

- a) obtaining the reinsurance of the sum insured, by agreement with an insurance company or an extraprovincial insurance corporation that has a business authorization;

- b) obtaining a surrender or discharge of the insurance contract; or
- c) obtaining the written consent of the insured to the continuance of the insurance contract for its unexpired term.

Pursuant to Section 43, if reinsurance has been obtained under Section 41(1)(a) through an insurance company or extraprovincial insurance corporation (the reinsurer), and the captive insurance company for whose contracts of insurance the reinsurance was obtained ceases to carry on business in BC or is wound up, an insured or other person entitled to rights under any of those contracts of insurance may enforce the rights against the reinsurer to the extent of the reinsurance as though the contract had been issued by the reinsurer.

Section 64(2) requires that if a captive insurance company proposes to cease doing business, it must give the Superintendent of Financial Institutions (Superintendent) at least 30 days' written notice.

## **APPLICATION PROCESS**

A captive insurance company wishing to wind up its captive insurance program must provide confirmation that it has met the legislative requirements of the FIA and ICCA.

Under Section 6(1) of the ICCA, a captive insurance company must not carry on business unless it is registered by the Superintendent; this includes a captive insurance company that is in the process of winding up. Therefore, it is necessary for a captive insurance company in the process of winding up to continue to renew its license on an annual basis until it has completely absolved all of its policy obligations.

Staff requires an actuarial report to be submitted annually as part of the renewal application to ensure the captive insurance company has made proper provision for all policyholder obligations.

## **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 a timeline for this application.

The timeline above serves as a general guideline, and can 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 receipt of regulatory approval 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.