

# Regulatory Statement

## Obtaining a Business Authorization to Carry on Insurance Business as an Extraprovincial Insurance Corporation in British Columbia

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<b>Regulatory Statement Number</b>	23-020
<b>Legislation:</b>	<i>Financial Institutions Act</i>
<b>Date:</b>	December 19, 2023
<b>Distribution:</b>	All Interested Applicants

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### PURPOSE

This Regulatory Statement establishes the form and content of an application to the Superintendent of Financial Institutions (“Superintendent”) under section 160 of the *Financial Institutions Act* (“FIA”) for a business authorization to carry on insurance business as an extraprovincial insurance corporation in the province of British Columbia (“B.C.”).

This Statement replaces Information Bulletin INS-18-001 “Obtaining a Business Authorization to Operate an Extraprovincial Insurance Corporation in British Columbia.”

### BACKGROUND INFORMATION

An extraprovincial insurance corporation is a corporation authorized to carry on insurance business under the laws of its primary jurisdiction other than B.C. Under sections 75(a) and 159(1) of the FIA, an extraprovincial insurance corporation is not permitted to carry on insurance business in B.C. unless it has received a business authorization from the Superintendent.

Extraprovincial insurance corporations may apply for a business authorization in the form established by the Superintendent under section 160(1) of the FIA. Section 160(6) of the FIA provides, among other things, that the Superintendent must issue a business authorization to an extraprovincial insurance corporation whose primary jurisdiction is Canada—i.e., federally regulated insurance corporations/regulator by the Office of the Superintendent of Financial Institutions (“OSFI”)—once it has submitted information in support of its application that is satisfactory to the Superintendent.

Section 160(3) of the FIA provides that the Superintendent may issue a business authorization to an extraprovincial insurance corporation that is not federally regulated upon receipt of an application that meets the requirements outlined in section 160(3) unless the Superintendent believes on reasonable grounds that it is not in the public interest to do so. Section 160(5) provides that the Superintendent may request additional information in support of an application for non-federally regulated extraprovincial insurance corporations.

Prior to submitting an application, the extraprovincial insurance corporation must apply to register with the B.C. Registrar of Companies (“the B.C. Registrar”) as an extraprovincial corporation. Information regarding this process can be found on the B.C. Registrar’s website.

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 primary jurisdiction of the entity. Applicants are encouraged to

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review and conduct a self-assessment against the guidelines that BCFSA has adopted from OSFI when submitting an application for business authorization.<sup>1</sup>

## REQUIREMENTS

Under section 160(1)(c), (1)(d), (3), and (6) of the FIA, all extraprovincial insurance corporations applying for a business authorization in B.C. must submit the following materials as established by the Superintendent:

- non-refundable [application fee](#) payable to BC Financial Services Authority (“BCFSA”);
- completed Canadian Council of Insurance Regulators application form, including appendices;
- name reservation form from the B.C. Registrar indicating conditional approval of the proposed name;
- evidence that the corporation is authorized in its primary jurisdiction;
- corporate profile and history of the corporation;
- business plan that contains the following information:
  - description of intended products and distribution channels for business in B.C.,
  - analysis of target market and description of marketing strategy in B.C.,
  - description of management expertise in proposed product lines,
  - fulsome description of 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 appropriately licensed in B.C. (if required under legislation),
  - analysis of key risks and risk mitigation strategies,
  - internal capital target set by the Board of Directors,
  - organizational chart including ownership percentages and identification of parent company and all other entities in the corporate group, including affiliates and subsidiaries,
  - description of material outsourcing arrangements with affiliates or third parties, and
  - description of the procedures to provide oversight over outsourced functions;
- copies of all insurance policies, application forms, and marketing materials that the corporation will distribute in B.C.;
- description of intended reinsurance arrangements and net retention level of risk;
- audited financial statements for the past three years, including capital ratios;
- pro-forma financial projections over a three-year forecast period including:
  - total projections for the corporation’s operations (income statement and balance sheet),
  - revenue, operating income, and net income for B.C. business, and
  - MCT/LICAT/BAAT/LIMAT (whichever capital ratio is applicable);

<sup>1</sup> [BCFSA: OSFI Guidelines Summary Table - 2020](#)

- actuarial report including a Financial Condition Testing report prepared by a qualified actuary (Fellow of the Canadian Institute of Actuaries);
- copy of the corporation's Investment Policy;
- list of the corporation's directors;
- current curriculum vitae for each director and senior officer;
- list of members of the following committees of the Board of Directors: Audit Committee, Investment and Loan Committee, and Conduct Review Committee; and
- documentation providing proof that the corporation is a member in good standing of an approved insurance compensation plan:
  - Canadian Life and Health Insurance Compensation Corporation ("Assuris") for life/health insurers, or
  - Property and Casualty Insurance Compensation Corporation for general insurers.

This Statement establishes the base criteria for an application for a business authorization to carry on insurance business as an extraprovincial insurance company in B.C. Information requirements outlined in this Statement should not be viewed as a definitive and exhaustive list, as each application will be reviewed and assessed on an individual basis and further information may be requested under section 160(5) or (6).

## INSTRUCTIONS

For questions or to request a meeting with BCFSA staff in respect of an application, please contact the Approvals Branch at [statapprovals@bcfsa.ca](mailto:statapprovals@bcfsa.ca) or at (604) 398-5034.

All notices, information, or documentation referenced in this Statement are to be submitted via the [Integrated Regulatory Information System](#) ("IRIS"), a secure portal through which regulated entities may provide information to BCFSA. IRIS, as well as instructions on how to set up an account and submit an application, may be accessed on BCFSA's website.

Application fees may be paid in IRIS by credit card (Visa or Mastercard). Payment by credit card through IRIS is integrated into the application process. Please contact [statapprovals@bcfsa.ca](mailto:statapprovals@bcfsa.ca) for instructions on how to pay the application fee by electronic fund transfer, wire, or cheque.

## LEGISLATION

FIA, ss. 1 "extraprovincial insurance corporation," 75, 158, 159, 160

Copies of the legislation are available from [www.bclaws.gov.bc.ca](http://www.bclaws.gov.bc.ca)

*Regulatory Statements establish the form and content of a regulatory submission; prescribe the manner of meeting or enforcing a requirement existing in an enactment; and/or provide the regulator's view of the laws that BC Financial Services Authority administers. Regulatory Statements are made pursuant to a requirement or power contained in provincial legislation. Compliance with a Regulatory Statement is therefore mandatory. Regulatory Statements may refer to law, practice, or background existing at the time of publication. If relying on the legal information contained in a Regulatory Statement, confirm that any references to the law, including enabling legislation, are up to date and obtain independent legal advice, when needed. Regulatory statements are effective on the date of their publication, unless stated otherwise.*