

# Regulatory Statement

## Application for Initial Registration of Captive Insurance Company

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<b>Regulatory Statement Number</b>	23-022
<b>Legislation:</b>	<i>Insurance (Captive Company) Act</i>
<b>Date:</b>	December 19, 2023
<b>Distribution:</b>	All Interested Applicants

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### PURPOSE

This Regulatory Statement establishes form and content of an application for registration of a captive insurance company (“captive”) with the Superintendent of Financial Institutions (“Superintendent”) to carry on business in British Columbia (“B.C.”), together with the conditions that must be met by an applicant before registration, under section 6 of the *Insurance (Captive Company) Act* (“ICCA”).

This Regulatory Statement replaces Regulatory Statement INS-18-006.

### BACKGROUND

Under the ICCA, a company that proposes to carry on captive insurance business in B.C. must apply to the Superintendent for registration. Only a company recognized under the *Business Corporations Act* (“BCA”) and incorporated for the purpose of carrying on captive insurance business as set out in the ICCA may apply for registration as a captive. A captive must not carry on business using a name that includes the word “insurance” or a form of the word unless included in the phrase “captive insurance company.” A captive must not carry on any type of business other than the business of insurance or the business of risk management.

For a description of the permitted business of each of a pure captive, association captive or sophisticated insured captive, see the ICCA. A captive registered under the ICCA may undertake any class of insurance established under the Classes of Insurance Regulation to the *Financial Institutions Act* (“FIA”) except:

- surety insurance, other than the reinsurance of surety insurance; and
- automobile insurance, other than fleet insurance by a corporation.

The Superintendent must not register a captive unless the company satisfies the Superintendent as to its ability to meet its present and future obligations and other prescribed matters. A captive must have and maintain the greater of shareholders’ equity of \$200,000, and reserves of \$100,000, or the amounts the Superintendent considers necessary.

### REQUIREMENTS

An application for initial registration of a captive must include:

- non-refundable [application fee](#) payable to BCFSa;
- completed [Application for Initial Registration of Captive Insurance Company](#) form;

- certified copy of the company's Certificate of Incorporation, Notice of Articles, and Articles;
- corporate organization chart including parent company or association, and affiliated companies;
- resolutions of parent company or association to authorize the establishment of a captive;
- a list of all directors and senior officers of the captive;
- detailed plan of operations including but not limited to:
  - rationale for establishing the captive,
  - background information in respect of parent company, association and/or each of the sophisticated insureds,
  - risks to be insured by line of insurance (specify whether acting as the primary insurer or a reinsurer),
  - maximum retention of risk by the captive by policy or risk as appropriate (per occurrence and annual aggregate),
  - description of any fronting arrangements, if any,
  - loss experience of proposed insureds for the past five years, if available,
  - description of the premium pricing policy,
  - description of claims handling procedures and
  - description of risk management and loss prevention strategies;
- audited financial statements of the parent company or the association (including auditor's report) for the prior two years;
- audited financial statements of affiliated companies (if relevant to the captive, for example, affiliated reinsurance company);
- completed [Personal Information Return](#) ("PIR") with attachments for each senior officer, director, and significant shareholder (significant shareholder is an individual who owns, directly or indirectly, 10 per cent or greater of the voting shares of the captive);
- draft copies of all insurance policies;
- description of the reinsurance program including:
  - chart or illustration of reinsurance program including retention, percentage reinsurer participation and basis of reinsurance (facultative, occurrence, claims-made, etc.),
  - identification of reinsurers, and
  - reinsurance risk management policy;
- draft copies of all reinsurance agreements;
- copy of investment policy specifying, at minimum:
  - investment objectives,
  - permitted categories of investments,
  - asset allocation guidelines and constraints, and
  - evaluation and monitoring procedures in respect of the investment portfolio;

- actuarial report by qualified independent actuary (Fellow of Canadian Institute of Actuaries) providing actuarial analysis of proposed plan of operations including estimates of required loss provisions and premium rating; and
- pro forma financial statements (balance sheet and income statement) for a three-year forecast horizon (must include material underlying assumptions and calculations where applicable). Projections should demonstrate that the captive will have adequate capital to support its operations and to withstand unexpected losses.

This Statement sets out the base criteria for applications for registering a captive with the Superintendent. The requirements outlined above should not be viewed as a definitive and exhaustive list, as each application will be reviewed and assessed on an individual basis. BCFSa staff may request additional information as required.

It is strongly encouraged that applicants interested in forming a captive meet with BCFSa staff to discuss the proposed plan of operations prior to submission of an application.

If BCFSa consents to the incorporation, the applicant may then apply to the B.C. Registrar to incorporate the trust company. Information regarding this process can be found on the [B.C. Registrar website](#).

### **ADDITIONAL INFORMATION**

After initial registration, a captive's ongoing obligations include:

- annual renewals and annual filing of audited financial statements and other reports;
- consent from the Superintendent for any amalgamation, changes to the Memorandum, Notice of Articles or Articles, or change of control; and
- notice of any winding up, an appointment of a new auditor or actuary and any new or material amendment to a reinsurance agreement, insurance policy or lines of insurance offered.

See the ICCA, ICCR, and Regulatory Statement INS-18-008 "Renewal of Registration of a Captive Insurance Company" for more information.

#### Auditor and Actuary

For the purpose of Section 9(1)(a) of the ICCA, the Superintendent considers an auditor as approved if the auditor is a member in good standing of the Chartered Professional Accountants of British Columbia and is authorized to conduct audit service. For the purpose of section 9(1)(b) of the ICCA, the Superintendent considers an actuary as approved if the individual is qualified as a Fellow of the Canadian Institute of Actuaries.

#### Financial Statements

Pursuant to section 198 of the BCA and sections 1 and 21(1) of the Business Corporations Regulation, a captive must prepare its financial statements in accordance with generally accepted accounting principles as set out in the CPA Canada Handbooks, including International Financial Reporting Standard 17.

#### Anti-Money Laundering and Terrorist Financing Review ("AML review")

Applications for the registration of a captive insurance company are subject to an AML review. BCFSa staff will discuss with the applicant what information is required for the purpose of the AML review. Further information may be found in Advisory 23-005 "Applications to Form Credit Unions, Insurance Companies, or Trust Companies and Reviews Regarding Detection and Deterrence of Money Laundering and Terrorist Financing."

## 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.

Submit all notices, information or documentation referenced in this Statement 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 through IRIS, 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) to pay by electronic fund transfer, wire, or cheque.

## LEGISLATION

ICCA, ss. 1 to 9

ICCR, ss. 3 to 12, 16

*Classes of Insurance Regulation*

BCA, except Divisions 4 and 8 of Part 9

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

## RELATED FORMS

[Application for Initial Registration of Captive Insurance Company](#)

[Personal Information Return](#)

*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.*