



BULLETIN NUMBER:	INS-14-004
TITLE:	PROCEDURE FOR EXCEEDING REGULATORY LIMITS ON REINSURANCE
LEGISLATION:	<i>FINANCIAL INSTITUTIONS ACT, INSURANCE COMPANY REINSURANCE LIMITATION REGULATION</i>
DATE:	OCTOBER 2014
DISTRIBUTION:	BRITISH COLUMBIA INCORPORATED INSURANCE COMPANIES AUTHORIZED TO CARRY ON GENERAL INSURANCE BUSINESS

PURPOSE

The purpose of this bulletin is to outline the procedure for British Columbia incorporated insurers authorized to conduct general insurance business to obtain the Financial Institutions Commission's (the Commission) approval to exceed regulatory limits on reinsurance.

BACKGROUND INFORMATION

The [*Insurance Company Reinsurance Limitation Regulation*](#) (ICRLR) sets out limits on the amount of risk that a British Columbia insurance company can reinsure in a calendar year.¹ The limits, set out in sections 3(1) and 4(1), are:

- a BC insurer cannot reinsure more than 75 per cent of the aggregate amount of all risks it undertakes in any calendar year; and
- a BC insurer cannot cede more than 25 per cent of the aggregate amount of all risks it has undertaken in a calendar year to insurers not authorized in Canada.

However, these limits can be exceeded, pursuant to section 5 of the ICRLR, as long as the insurer has first sought and obtained the written consent of the Commission.

¹ The limits do not apply to British Columbia insurers authorized to only carry on life business, the life business of an insurer authorized to carry on both life and general insurance business, or BC insurers only authorized to conduct marine insurance business.

CONSENT PROCESS

To initiate the approval process, an insurer must submit a written request to the Commission. The request must include the following information:

- a clear statement of which limit(s) the insurer wishes to exceed;
- the total new aggregate amount of reinsurance the company wishes to undertake (expressed as a percentage);
- a detailed rationale explaining why the limit(s) needs to be exceeded;
- an explanation of how the insurer plans on bringing its reinsurance program back within limits, and when it expects it will no longer need to exceed the limits;
- a copy of the company's reinsurance risk management plan (RRMP) and the most recent annual reinsurance declaration that senior management has made to the Board confirming the company's adherence to the RRMP; and
- confirmation by way of a copy of the Board minutes and passed motion showing that the Board has considered the need to exceed the reinsurance limit(s) as proposed and was satisfied that:
 - the company has done appropriate due diligence on the reinsurance counterparties;
 - the terms and conditions of the reinsurance contract provide adequate clarity and certainty on the reinsurance coverage; and
 - the insurer will not be adversely affected by entering into the reinsurance arrangement covering the amounts exceeding the statutory limits.

Additional information may be requested if needed. There is no fee for submitting a request. FICOM expects the applicant's legal counsel to review all documentation prior to submission.

The Commission will decide whether to approve the request to exceed the regulated limit(s), and if so, will set the insurer's new reinsurance limit(s) for that calendar year.

MORE INFORMATION

For more information on the regulated reinsurance limits for BC insurers, consult the [*Insurance Company Reinsurance Limitation Regulation*](#) to the *Financial Institutions Act*.

Please direct any additional questions or requests for more information regarding this bulletin to Insurance@ficombc.ca.

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