



Financial Institutions Act

INSURANCE COMPANY REINSURANCE
LIMITATION REGULATION

B.C. Reg. 324/90

Deposited September 7, 1990 and effective September 15, 1990
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Consolidated Regulations of British Columbia

This is an unofficial consolidation.

B.C. Reg. 324/90 (O.C. 1348/90), deposited September 7, 1990 and effective September 15, 1990, is made under the *Financial Institutions Act*, R.S.B.C. 1996, c. 141, ss. 78 and 289.

This is an unofficial consolidation provided for convenience only. This is not a copy prepared for the purposes of the *Evidence Act*.

This consolidation includes any amendments deposited and in force as of the currency date at the bottom of each page. See the end of this regulation for any amendments deposited but not in force as of the currency date. Any amendments deposited after the currency date are listed in the B.C. Regulations Bulletins. All amendments to this regulation are listed in the *Index of B.C. Regulations*. Regulations Bulletins and the Index are available online at www.bclaws.ca.

See the User Guide for more information about the *Consolidated Regulations of British Columbia*. The User Guide and the *Consolidated Regulations of British Columbia* are available online at www.bclaws.ca.

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**INSURANCE COMPANY REINSURANCE
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Interpretation

- 1** In this regulation:

“**Act**” means the *Financial Institutions Act*;

“**authorization year**”, in relation to an insurance company, means the calendar year in which the insurance company is issued a business authorization;

“**effective year**” means the calendar year in which this regulation comes into force;

“**gross premium income**” means the premium income of an insurance company from its policies calculated without reduction in respect of reinsurance premiums paid or payable;

“**insurance company**” includes

(a) a society that is deemed under section 191 of the Act to have a business authorization, and

(b) a mutual fire insurance company as defined in section 188 of the Act;

“**unauthorized insurer**” means an insurer not licensed, registered or otherwise authorized to carry on the business of insurance in Canada.

Application

- 2** This regulation does not apply to

(a) an insurance company authorized to carry on life insurance business only,

(b) the life insurance business of an insurance company authorized to carry on both life insurance business and one or more classes of general insurance,

(c) marine insurance business, or

(d) Westland Insurance Company Limited.

[am. B.C. Reg. 140/2005.]

Reinsurance

- 3** (1) Subject to section 5, an insurance company other than an insurance company described in subsection (2) or (3) shall not obtain reinsurance against more than 75% of the aggregate amount of all risks undertaken by it in any calendar year.

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- (2) An insurance company that, in the calendar year immediately before the effective year, obtained reinsurance against more than 75% of the aggregate amount of all risks undertaken by it in that calendar year shall not obtain reinsurance
- (a) in the effective year, against more than the lesser of
 - (i) 90% of the aggregate amount of all risks undertaken by it in the effective year, or
 - (ii) the percentage of the aggregate amount of all risks against which it obtained reinsurance in the calendar year immediately before the effective year,
 - (b) in the first calendar year following the effective year, against more than the lesser of
 - (i) 85% of the aggregate amount of all risks undertaken by it in that calendar year, or
 - (ii) the percentage of the aggregate amount of all risks against which it obtained reinsurance in the year immediately before the effective year, or
 - (c) in the second calendar year following the effective year, against more than the lesser of
 - (i) 80% of the aggregate amount of all risks undertaken by it in that calendar year, or
 - (ii) the percentage of the aggregate amount of all risks against which it obtained reinsurance in the calendar year immediately before the effective year.
- (3) An insurance company that is issued a business authorization after September 15, 1990, shall not obtain reinsurance
- (a) in the authorization year and the first calendar year following the authorization year, against more than 90% of the aggregate amount of all risks undertaken by it in each of those years,
 - (b) in the second calendar year following the authorization year, against more than 85% of the aggregate amount of all risks undertaken by it in that calendar year, and
 - (c) in the third calendar year following the authorization year, against more than 80% of the aggregate amount of all risks undertaken by it in that calendar year.
- (4) The percentage of the aggregate amount of all risks undertaken by an insurance company against which it obtains reinsurance in a calendar year shall be calculated by dividing the premiums paid or payable by the insurance company in that calendar year in respect of the reinsurance of the risks undertaken by the insurance company by the gross premium income of the insurance company in that calendar year, and then multiplying the quotient so obtained by 100.

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- (5) For the purpose of subsection (4), premiums paid or payable by an insurance company are without reduction in respect of commissions, expense allowances and other consideration received or receivable by the insurance company.

[am. B.C. Reg. 22/2013, App. 3, s. 1.]

Reinsurance through unauthorized insurers

- 4** (1) Subject to section 5, for the purpose of section 78 of the Act, the reinsurance that an insurance company may obtain through unauthorized insurers is limited to an amount of reinsurance against risks undertaken by the insurance company that is not more than 25% of the aggregate amount of all risks undertaken by it.
- (2) Notwithstanding subsection (1), where in accordance with section 3 (2) or (3) an insurance company has obtained reinsurance against more than 75% of the aggregate amount of all risks undertaken by it in a calendar year, then, for the purpose of section 78 of the Act, the reinsurance that the insurance company may obtain through unauthorized insurers is limited to an amount of reinsurance against risks undertaken by the insurance company that is not more than the lesser of
- (a) 25% of the aggregate amount of all risks undertaken by it, or
- (b) the aggregate amount of those risks undertaken by it in that calendar year against which it has not obtained reinsurance.
- (3) The percentage of the aggregate amount of all risks undertaken by an insurance company against which it obtains reinsurance through unauthorized insurers in a calendar year shall be calculated by dividing the premiums paid or payable by the insurance company in that year to unauthorized insurers in respect of the reinsurance of the risks undertaken by the insurance company by the gross premium income of the insurance company in that year, and then multiplying the quotient so obtained by 100.
- (4) For the purpose of subsection (3), premiums paid or payable by an insurance company are without reduction in respect of commissions, expense allowances and other consideration received or receivable by the insurance company.

[am. B.C. Reg. 22/2013, App. 3, s. 2.]

Reinsurance

- 5** (1) Subject to subsection (2), an insurance company may obtain reinsurance against more than the percentages set out in section 3 of the various aggregate amounts described in section 3, as applicable, if the superintendent is of the opinion that one of the following applies:
- (a) the insurance company substantially meets all of the following:
- (i) the insurance company has a sound and comprehensive reinsurance risk management policy, subject to oversight of the directors and implementation by senior management, including by means of an annual reinsurance declaration made by a senior officer to the board confirming compliance with principles set out in subparagraphs (i)

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- to (iv) of this paragraph, except as otherwise disclosed in the declaration;
- (ii) the insurance company performs a sufficient level of due diligence on its reinsurance counterparties on an ongoing basis to ensure the insurance company is aware of its counterparty risk and is able to assess and manage such risk;
 - (iii) the terms and conditions of the reinsurance contract provide clarity and certainty on reinsurance coverage;
 - (iv) the insurance company is not adversely affected by the terms and conditions of the reinsurance contract;
- (b) it is reasonable to permit the insurance company to obtain reinsurance for more than the percentages set in section 3.
- (2) An insurance company may obtain reinsurance against more than the percentage of the aggregate amount set out in section 4 (1) or the amount described in section 4 (2), as applicable, if the superintendent is of the opinion that one of the following applies:
- (a) the insurance company substantially meets the following:
 - (i) the insurance company has a sound and comprehensive reinsurance risk management policy, subject to oversight of the directors and implementation by senior management, including by means of an annual reinsurance declaration made by a senior officer to the board confirming compliance with principles set out in subparagraphs (i) to (iv) of this paragraph, except as otherwise disclosed in the declaration;
 - (ii) the insurance company performs a sufficient level of due diligence on its reinsurance counterparties on an ongoing basis to ensure the insurance company is aware of its counterparty risk and is able to assess and manage such risk;
 - (iii) the terms and conditions of the reinsurance contract provide clarity and certainty on reinsurance coverage;
 - (iv) the insurance company is not adversely affected by the terms and conditions of the reinsurance contract;
 - (b) it is reasonable to permit the insurance company to obtain reinsurance for more than the percentages set in section 4.
- (3) If the superintendent exercises discretion under subsection (1) or (2), the superintendent must set the maximum percentage for which the insurance company may obtain reinsurance.

[en. B.C. Reg. 22/2013, App. 3, s. 3; am. B.C. Regs. 219/2019; 208/2021, App. 5, ss. 1 and 6.]