



Reference: Foreign Insurance Companies

Our File: P2878-5

May 14, 2007

To: Foreign life companies (including foreign fraternal benefit societies)
Foreign property and casualty companies

Subject: Part XIII of the *Insurance Companies Act*

In the context of the Government of Canada's regular five-year review of the federal financial institutions legislation, many provisions of *An Act to amend the law governing financial institutions and to provide for related and consequential amendments*, S.C. 2007, c. 6 (formerly Bill C-37) were proclaimed in force on April 20, 2007.

The *Act* clarifies, among other things, that Part XIII of the *Insurance Companies Act* only applies to foreign entities that insure in Canada a risk. In particular, the regulatory focus with respect to foreign companies will be on the location of insurance, rather than the location of risk. As this represents a material change for the Canadian operations of certain foreign companies, both these foreign companies and the Office of the Superintendent of Financial Institutions (OSFI) require time to adjust to these changes. Therefore, many amendments to Part XIII will be brought into force at a later date.

OSFI has initiated work on amending its regime for regulating foreign companies' Canadian insurance operations based on the fact that:

- a) risks located in Canada but insured outside Canada will no longer be subject to Part XIII requirements; and
- b) risks located outside Canada but insured in Canada will become subject to Part XIII requirements.

As a first step, to provide guidance on what constitutes the insurance in Canada of a risk, OSFI will, in the coming weeks, issue in final form the draft advisory circulated for industry comment in December of last year. This document should assist foreign companies in their assessment of the implications of the Part XIII amendments on their Canadian insurance operations.



As a second step, OSFI will consult with insurance industry associations and other stakeholders who express an interest regarding proposed amendments to the regulatory regime for foreign companies. This will include, among other things, amendments to the reporting instructions for regulatory returns, to the vested assets requirements (e.g., TAAM and BAAT) and to the requirements for the taking of reinsurance credits when risks are ceded to a foreign company. OSFI expects to meet with industry associations in the near future to discuss the timetable for, and the transition to, the amended regulatory regime. OSFI also plans to issue amended documents in draft form for comment before year-end 2007.

For additional information or if you have questions regarding the Part XIII amendments, transition matters or the Advisory, please contact Louis Bourgeois, Director, Legislation and Approvals Division at (613) 990-2957.

Robert Hanna
Acting Assistant Superintendent
Regulation Sector