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# Ruling

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**Category:** Business and Powers

**NOTICE\***

**Subject:** Acting as a service provider

**No:** 2003 - 01

**Issue:** A federally regulated insurance company (FRIC) proposed to enter into an arrangement with another insurance company (INC) for the purposes of providing the INC with certain services. The issue is whether the FRIC has the power to provide these services pursuant to subsection 440(1) of the *Insurance Companies Act* (ICA). This subsection provides that a FRIC shall not engage in or carry on any business other than such business generally as appertains to the business of providing financial services.

**Background:** A FRIC proposed to enter into an arrangement with INC whereby the FRIC would provide a package of services necessary for the INC to carry out its insurance business. Among other things, this package of services included: developing insurance products for the INC; providing the necessary underwriting staff and procedures to underwrite, issue or decline requests for the INC's products; handling customer services requests; and supplying the necessary systems to support these services.

**Considerations:** Subject to the ICA, federal insurance companies have the rights, powers and privileges of a natural person. However, the ICA confines their business powers to those that generally appertain to the business of providing financial services and to other specific business activities.

OSFI determined that the services the FRIC would be providing to the INC were of a type that had been developed by the FRIC to carry out its own business of insurance. In addition, OSFI determined that the nature and extent of the services outlined in the proposed arrangement would be essential for the INC to carry out its insurance business. In essence, the FRIC would be performing certain key functions to support the INC's insurance business.

With respect to the information processing services that the FRIC would be providing to the INC, OSFI determined that these services were necessary to support the FRIC's primary undertaking to underwrite, issue and service, on behalf of the INC, the INC's insurance business. Accordingly, these services also appertain to the business of providing financial services.

**Conclusion:** OSFI concluded that the provision by the FRIC to the INC of a package of services that the FRIC had developed to carry out its own insurance business and that are necessary for the INC to carry out its insurance business, constitutes “such business generally as appertains to the business of providing financial services” pursuant to subsection 440(1) of the ICA.

**Legislative References:**

Subsection 15(1) of the ICA states that a company or society has the capacity of a natural person and, subject to this Act, the rights, powers and privileges of a natural person.

Subsection 440(1) of the ICA states that a company shall not engage in or carry on any business other than such business generally as appertains to the business of providing financial services.

Subsection 440(2) of the ICA states that, for greater certainty, a company may:

- a) act as a financial agent, receiver, liquidator or sequestrator;
- b) provide investment counseling services and portfolio management services; and
- c) issue payment, credit or charge or charge cards and, in co-operation with others including other financial institutions, operate a payment, credit or charge card plan.

**Table of Concordance:**

Section Description	BA	TLCA	ICA	CCAA
Corporate Powers	15	14	15	16
Main Business	409	409	440	375

The table of concordance makes cross-references to similar provisions of other FRE legislation that may be of relevance to the reader.

\* Rulings describe how OSFI has applied or interpreted provisions of the federal financial institutions legislation, regulations or guidelines to specific circumstances. They do not negate the need to obtain any necessary approval of the transaction under the relevant federal financial institutions legislation. Rulings are not necessarily binding on OSFI’s consideration of subsequent transactions as these transactions may raise additional or different considerations. Legislative references in a Ruling are not meant to substitute provisions of the law; readers should refer to the relevant provisions of the legislation, regulation or guideline, including any amendments that came into effect subsequent to the Ruling’s publication.