

Provincial Companies Regulation Consultation Paper

Introduction

Treasury Board and Finance (the department) is reviewing the [Provincial Companies Regulation](#) (Regulation) of the [Insurance Act](#) (Act).

Purpose

The purpose of this consultation paper is to seek comments and feedback from stakeholders, and to provide an opportunity to identify other issues for consideration.

Summary of the regulation

Alberta's Superintendent of Insurance (Superintendent) is responsible for the supervision and regulation of various types of provincially licensed companies, including property and casualty insurance companies, which are incorporated in Alberta.

The regulation contains provisions that apply to insurance companies incorporated in Alberta, which are subject to the Superintendent's oversight regarding solvency, risk management and governance. The Superintendent ensures these companies are financially healthy, and able to pay claims to Albertans when they come due.

Items for consideration

The department has identified some items for consideration, listed below. These items have been identified with consumer protection in mind. Applicable excerpts from the regulation are provided in the Appendix. Please inform the department of any comments you have on these items.

1. Further limit shareholding, as prescribed in Section 15 of the regulation, by ensuring certain prescribed bodies corporate are not a related party to a provincial insurer.
 - This proposed change would limit provincial companies from investing in certain businesses owned by a related party and would align with prudent investment standards.
 - The intent is to prohibit certain types of transactions by related parties of a provincial company, unless approved by the Minister under Section 443 of the Act, and subject to terms and conditions considered appropriate by the Minister.
 - The potential change would allow the Minister to approve such a transaction, if the Minister is satisfied that it would be in the best interests of the company and would not be prejudicial to the interests of shareholders and policyholders.
2. Update the language in section 20.1(1) regarding the maintenance of adequate capital to reflect the current practice of using other regulatory capital calculations, in addition to the Minimum Capital Test.

- This would align with the Superintendent's current practice, which uses appropriate and relevant regulatory capital calculations in addition to the Minimum Capital Test.
 - The potential change would amend the language to include any measures deemed appropriate and relevant by the Superintendent.
3. Update the language found in section 20.1(1) of the Act by clarifying that provincial life insurance companies are also required to maintain adequate capital.
- The Act requires both provincial property and casualty, and provincial life insurance companies to maintain adequate capital. However, section 20.1(1) of the regulation only refers to property and casualty companies.

Stakeholder comments and feedback

Those interested are invited to submit comments and feedback on this consultation paper. Stakeholders are encouraged to identify any other issues the department should consider while reviewing the Regulation.

If you are identifying a new issue, please consider the following:

- Rationale for the proposed issue/change;
- Evidence to support the issues/changes, including what other jurisdictions are doing (if applicable); and
- Solution, including what implementation would look like.

Please note that all submissions will be subject to the [Freedom of Information and Protection of Privacy Act](#) (FOIP). All information received, including the names of stakeholders consulted in this process and any comments received about the Regulation, may be used or disclosed in the future in accordance with FOIP. Comments will not be publicly attributed to the stakeholder without consent.

Stakeholders interested are invited to submit their comments and feedback to Debbie Manning (debbie.manning@gov.ab.ca or 780-638-4590) by February 2, 2018.

Thank you for your time and comments!

Appendix

Excerpts from the Provincial Companies Regulation

Limitation of shareholding

15 The following are prescribed bodies corporate for the purpose of Section 421(3)(e) of the Act:

- a) a factoring corporation, being a body corporate whose activities are limited to acting as a factor in relation to accounts receivable, including the lending of money and the raising of money for the purpose of financing those activities;
- b) a financial leasing corporation, being a body corporate that enters into or acquires agreements as defined in Section 14(1)(a) of this Regulation;
- c) an information management corporation, being a body corporate that carries on the business of
 - i. the collection, manipulation and transmission of information that is primarily financial or economic in nature, or
 - ii. the sale of related software;
- d) an investment counselling corporation, being a body corporate that is registered as an investment counsel under the *Securities Act* or in a similar capacity under comparable legislation in another jurisdiction in Canada;
- e) a mutual fund corporation, being a body corporate whose activities are limited to the investing of the funds of the body corporate or a body corporate that is an issuer of securities that entitle the holder to receive, on demand or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in a part of the net assets, including a separate fund or trust account, of the issuer of those securities;
- f) a mutual fund distribution corporation, being a body corporate that is registered as a mutual fund dealer under the *Securities Act* or in a similar capacity under comparable legislation in another jurisdiction in Canada;
- g) a portfolio management corporation, being a body corporate that is registered as a portfolio manager under the *Securities Act* or in a similar capacity under comparable legislation in another jurisdiction in Canada;
- h) a real property brokerage corporation, being a body corporate whose activities are limited to acting as an agent for vendors or purchasers of real estate;
- i) a real property corporation, being a body corporate that is primarily engaged in holding, managing or otherwise dealing with
 - i. real property, or
 - ii. shares of a body corporate or ownership interests in an unincorporated entity that is primarily engaged in holding, managing or otherwise dealing with real property, including another real property corporation or a real property holding vehicle;
- j) a real property holding vehicle, being a limited partnership or a trust that is primarily engaged in holding, managing or otherwise dealing with
 - i. real property, or
 - ii. shares of a body corporate or ownership interests in an unincorporated entity that is primarily engaged in holding, managing or otherwise dealing with real property, including a real property corporation or another real property holding vehicle;

- k) a securities dealer;
- k.1) an insurance agency corporation, being a body corporate that sells insurance;
- l) a service corporation, being a body corporate whose activities are limited to the provision of management services to
 - i. a provincial company,
 - ii. a financial institution that is affiliated with a provincial company, or
 - iii. a body corporate in which a provincial company or financial institution that is affiliated with a provincial company holds or beneficially owns, separately or in the aggregate, more than 50% of the issued and outstanding voting shares;
- m) a specialized financing corporation, being a body corporate that is primarily engaged in providing specialized business management in making investments or providing financing or advisory services.

Maintenance of adequate capital

20.1(1) A provincial property and casualty company maintains adequate capital if the amount of capital available to it on an ongoing basis is equal to or exceeds the minimum amount of capital required, as calculated using the Minimum Capital Test form in the annual return form designated "P & C 1," as established for provincial property and casualty companies under Section 803 of the Act.