

JULY 2024

Summary of Consultation Feedback

Proposed Fee Changes for Captive
Insurance Companies

BCFSA 

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Introduction

On August 9, 2023, BCFSA launched a 30-day consultation seeking feedback on proposed changes to the fees it collects from captive insurance companies.

Captives are companies incorporated or recognized under the British Columbia (“B.C.”) *Business Corporations Act* and registered under the *Insurance (Captive Company) Act* (“ICCA” or the “Act”). Captives are a self-insurance structure that may only insure risks of a closed group of organizations or individuals. As such, captives are generally not permitted to do business directly with the public. However, many captives can still have direct or indirect impacts on the public.

The Superintendent administers the ICCA, and its costs to do so are funded by fees set under the *Insurance (Captive Company) Regulation* (“ICCR”). Since the Act’s inception in 1987, the ICCR has required captives to pay a fee for initial application/registration to the Superintendent to carry on business in B.C., and an annual renewal fee. This fee structure has been unchanged since 1987.

In 2023, BCFSA reviewed the fee structure for captives and proposed an increase in the fees payable under the Act and the introduction of prescribed fees to request the Superintendent’s consent for certain types of transactions. These changes were required in order to equip BCFSA to sustain its regulatory oversight of captives and ensure a properly funded captive program with adequate resources.

Consultation Overview

BCFSA conducted a targeted consultation on the proposed fee changes for captives, soliciting comments and feedback from stakeholders to ensure there was a broad level of awareness among affected insurers, and that all potential impacts were well understood.

On August 9, 2023, BCFSA launched its consultation by publishing information on its website, including:

- A consultation webpage: [Captive Insurance Companies: Consultation on Proposed Fee Changes](#)
- An advisory to captive insurers notifying them of the consultation: [BCFSA Launches Consultation on Proposed Fee Changes for Captives](#).
- A consultation document detailing the proposed fee changes along with the rationale for the changes, and an online feedback form to collect stakeholder comments.

These materials were sent directly to captive insurers and other key stakeholders, inviting them to learn more about the proposed changes to fees for captive insurance companies and participate in the consultation by reviewing the consultation document and responding to the questions in the online feedback form.

Key questions in the feedback form included:

- Do you understand how BCFSA uses fees to regulate captives?
- Do you understand the reasons for changing the fee structure for captives?
- Do you understand the proposed changes to fees for captives?
- Do you have any general comments related to the proposed fee change?

Over the course of the consultation period, 28 respondents accessed the consultation document and responded to questions in the online feedback form.

Summary of Feedback

Half of the respondents who completed the online feedback form indicated that they understood how BCFSA uses fees to regulate captives, understood the reasons for the proposed changes, and understood the proposed change to ICCA fees.

Survey respondents were also invited to share general comments related to the proposed fee change in an open-ended question included in the survey, and those comments are summarized in the following Stakeholder Feedback Table, along with BCFSA's responses.

STAKEHOLDER FEEDBACK TABLE

Subject	Summary of Issue/Comment	BCFSA Response
Financial sustainability of captives in British Columbia	Some respondents expressed concerns that the new fees will have financial implications on the sustainability of captives in B.C.	BCFSA's mandate is to operate on a cost-recovery basis. This means the direct costs to regulate, administer, and oversee captives must be recovered from that industry through fees collected by BCFSA. The fees have not changed since the inception of the Act in 1987 and are insufficient to cover BCFSA's operational costs to administer the Act. The fee changes for captives will equip BCFSA to sustain its regulatory oversight, including risk management

		<p>activities and market conduct initiatives.</p> <p>Furthermore, the proposed annual renewal fee is based on the premium revenue of a captive, hence reflects the size of its operations. Proportionality and sustainability are thus built into the fee change proposal.</p>
<p>Potential effects on consumers.</p>	<p>There was a concern that the new fees, if passed along, could have financial impacts to consumers by increasing strata insurance premiums.</p>	<p>This feedback appears to be based on a misunderstanding of what captives do in B.C. Firstly, captives do not generally offer insurance products to consumers, as they are self-insurance structure among a closed group of entities. Secondly, under B.C. legislation, captives cannot write strata insurance to strata councils. BCFSA's mandate is to safeguard confidence and stability in British Columbia's financial services sector. The changes to fees are necessary in order to continue this mandate.</p>

Consultation Outcomes and Next Steps

BCFSA thanks those who took the time to participate in the consultation. Feedback gathered through this consultation was analyzed and aggregated results were included in BCFSA's submission to the provincial Treasury Board requesting approval to implement the proposed fee changes through regulation. This request has been approved, and BCFSA will begin collecting the new fees starting September 1, 2024.



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