

Superintendent of Insurance

Interpretation Bulletin

Bulletin Number:	08-2024
Title:	Captives reinsuring third-party risks
Date:	December 12, 2024
To:	All captive insurance companies licensed in Alberta

Purpose

In accordance with section 60 of the [Captive Insurance Companies Act \(“Act”\)](#), the purpose of this Interpretation Bulletin (“Bulletin”) is to provide Superintendent of Insurance (“Superintendent”) interpretation of sections 27 and 28 of the Act with respect to captive insurance companies licensed in Alberta (“Captives”) reinsuring third-party risks. This Bulletin applies to all Captives licensed in Alberta.

Superintendent’s Interpretation

For the purposes of this Bulletin, a third party is any entity outside of a captive’s permitted group of insureds as described in section 27 of the Act.

The Superintendent interprets section 28 in conjunction with section 27, permitting Captives to reinsure third-party risks, providing:

- i. There is an existing business relationship between the Captive’s owner(s) and the third party(s);
- ii. All third-party insurance contracts are fronted by an insurer licensed in the jurisdiction of risk; and
- iii. The Captive maintains at least one contract that insures an eligible insured under section 27 of the Act.

Background

The Act came into force effective July 1, 2022. Section 27 of the Act restricts a Captive to insuring risk of particular entities only (this does not include third parties), while section 28 permits Captives to reinsure risks ceded by any other insurer, without

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limitation. Currently, neither the Act, nor its associated regulations, provide instruction on how these two sections work together.

Initially, the Superintendent interpreted these sections to mean that the majority of a Captive's risk must qualify under section 27, leaving a minority portion for reinsurance of third-party risk. Upon consultation with various stakeholders, the Superintendent revised this interpretation: the current interpretation is provided in this Bulletin.

If you have any questions regarding this Bulletin, please contact my office at 780-643-2237 or tbf.insurance@gov.ab.ca.



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