

## MARKET BULLETIN

REF: Y4283

<b>Title</b>	Lloyd's business in Canada - clarification of Part XIII of the Canadian Insurance Companies Act
<b>Purpose</b>	To advise the market that the Canadian federal regulator, OSFI, has confirmed that Lloyd's business model in Canada meets the requirements that OSFI have set for "insurance in Canada of risks".
<b>Type</b>	Annual
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<b>Date</b>	26 May 2009
<b>Deadline</b>	The clarification is effective from 1 January 2010.
<b>Related links</b>	Lloyd's market bulletin Y4226, dated 19 December 2008, set out the potential impact of the clarified definition for writing business. Link to market bulletin: <a href="#">market bulletin Y4226</a> .

**Summary**

**Lloyd's is pleased to state that it has confirmed with OSFI that Lloyd's business model in Canada meets the requirements that OSFI have set for "insurance in Canada of risks".**

Although the various provincial regulators have not yet stated publicly their positions regarding provincial licensing post 1/1/2010, Lloyd's is confident that this recognition of its business models by OSFI as "insurance in Canada of risks" will ensure that all of Lloyd's Canadian business will continue to be regarded as "licensed".

**Background**

The market will be aware that the Canadian federal regulator, OSFI, intends to implement a revised interpretation of "insurance in Canada of risks" with effect from 1/1/2010. This will apply the federal regulatory framework to all risks insured in Canada, rather than the current interpretation which applies to all risks located in Canada. This means that from 1/1/2010 **all**

**business** (including wet marine risks) insured in Canada, according to the indicia set out in the advisory issued by OSFI, and on a company's books at that date, will be subject to federal reporting and funding requirements, regardless of the location of the policyholder or risk or class of business.

OSFI has advised that it intends that the revised interpretation will also apply to contracts written pre-2010. With OSFI's recognition of the important role that Lloyd's Canada and Canadian brokers have always played with respect to Lloyd's Canadian business, Lloyd's can confirm to its reinsurance clients that there was sufficient activity conducted in Canada as to ensure that Lloyd's historical reinsurance business is considered "insurance in Canada of risks" under OSFI's advisory.

Lloyd's will leave all risks including reinsurance risks on its books at 1/1/2010 and retain the appropriate funding in its Canadian trust funds. Lloyd's cedants can continue therefore to take credit for reinsurance placed at Lloyd's pre-2010 where they wish to do so. Lloyd's Canadian policyholders and cedants can take further comfort from the fact that the trust deeds governing Lloyd's Canadian trust funds contain specific language that will further ensure that the rights of policyholders for the payment of claims and upon a winding-up are recognised and preserved. As at 31st December 2008, Lloyd's had in excess of \$3 billion in its Canadian trust funds.

### **Next steps**

Lloyd's Canada will shortly be contacting its Canadian broker partners to provide further details, discuss the practical implementation and to answer questions concerning Part XIII.

Lloyd's will continue to work with the market through the LMA and the market working group that has been established to consider implementation issues moving forward.

### **Further information**

For further information please contact –

#### *General enquiries*

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