



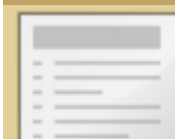
You are here: [Home](#) > [Insurance](#) > [Insurance Bulletins](#) > No.G-18/92

PRINT

Amalgamations and Portfolio Transfers

FSRA is actively reviewing all FSCO regulatory direction, including but not limited to forms, guidelines and FAQs.

Until FSRA issues new regulatory direction, all existing regulatory direction remains in force.



Bulletin

No.G-18/92

- General

[bulletinToTheAttentionOf]

Federal companies planning to amalgamate or transfer policy portfolios can save time coordinating transfer approval at the provincial and federal levels.

Provincial approval for amalgamations and portfolio transfers is necessary for all insurance companies doing business in Ontario. Ontario's *Insurance Act*, Part XVI, gives the details. This bulletin highlights the steps and requirements to help you plan your amalgamation or portfolio transfer.

As the provincial regulator, the Ontario Insurance Commission (OIC) looks beyond solvency to issues of market conduct. So we study your application from a slightly different angle than the federal regulator.

If you, or one of the other insurers involved, are a federally incorporated insurance company doing business in Ontario, send us your application package at the same time you submit it federally. You'll save time and avoid duplication of effort; for example, you can double up on published notices.

Part XVI in summary

Transfers of policyholders' liabilities include any of these situations: transfer or assignment of insurance contracts, novation, or amalgamation - any agreement where a company assumes another insurer's insurance contracts; ordinary reinsurance business does not require approval.

Under Part XVI the Commission checks a transfer for

- the **security** the continuing insurer provides policyholders (see the test set out in Section 428 of the *Insurance Act*)
- **equity** between the policyholders of continuing and retiring insurers, especially for participating policyholders

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- **quality of information** insurers give policyholders about the proposal
- **any provisions** that would prejudice policyholders or reduce the benefits they anticipate

Provincial transfer requirements for insurers if one of the insurers involved is Ontario incorporated are more involved and include

1. a public hearing before OIC's Superintendent of Insurance
2. prior published notice of the hearing to policyholders
3. approval by the Lieutenant Governor in Council

Additional considerations

For both federally and provincially incorporated companies, a transfer involving corporate reorganization or withdrawal from the marketplace should receive additional consideration:

- If you intend to withdraw from the marketplace, arrange with the OIC to cancel or restrict your licence.
- If you are a withdrawing company subject to assessment by industry compensation plans, advise the OIC of the arrangements you are making to settle the assessment.
- If you are assuming a portfolio of automobile risks you may also require a new rate filing; contact the OIC's Rates and Classifications Branch for assistance.
- If you write automobile insurance and are withdrawing, you should make provisions to settle any liabilities to the Facility Association, and advise the Commission of your plans.
- Withdrawing insurers involved in either automobile or liability business should arrange to report run-off statistics to the statistical agent, and advise the Commission of these plans.
- For auto insurance companies, Bill 164, now before the Legislature, may possibly add more requirements.
- All withdrawing companies must pay the full annual cost assessment due the Ontario Insurance Commission.

Timing

Commission staff and officials work with companies and the federal regulator to keep the approval process moving. By making sure applications are complete and reflect final transfer and amalgamation details, companies create the best chances for smooth and timely approval. Certain situations call for more time than others:

- If your agreement is complex or you're trying to conclude your transfer by the end of the calendar year, you may need two months or more.

- If your transfer involves Ontario incorporated companies (and therefore a Superintendent's hearing and approval from the Lieutenant Governor in Council) you may need six months.

For more information call David Stone, (416) 590-7292, in OIC's Corporate Licensing and Project Analysis Branch.

Donald C. Scott
Commissioner
December 1, 1992

[Back to top](#)

Page: **1,766** | [Find Page:](#)

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