

# Advisory

## B.C. Captive Insurance Company Financial Reporting Requirements – Accounting Standards

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### PURPOSE

BC Financial Services Authority (“BCFSA”) is issuing this Advisory to captive insurance companies (“captive”) currently registered in B.C. to clarify that captives must report their financial results in accordance with Canadian generally accepted accounting principles (“GAAP”).

### BACKGROUND INFORMATION

Section 8 of the *Insurance (Captive Company) Act* (“ICCA”) and Section 5 of the *Insurance (Captive Company) Regulation* (“ICCR”) provide that the shareholders equity and reserves of a captive must be determined in accordance with GAAP.

Further, a company must be incorporated under the *Business Corporations Act* (“BCA”) to register as a captive in B.C. and the provisions of the BCA apply to a captive (except as specified under Section 3(5) of the *ICCA*). Pursuant to Section 198 of the *BCA*, a company must publish financial statements for each completed financial year in accordance with the regulations. Section 1 and Section 21(1) of the *Business Corporations Regulation* (“BCR”) specify that the financial statements of a company shall be prepared in accordance with Canadian GAAP as outlined in the Handbook of the Chartered Professional Accountants of Canada (the “Handbook”).

The Handbook is the authority on Canadian GAAP. It is delineated into sections that provide standards and guidance for use by Canadian entities including, but not limited to:

- Part I: International Financial Reporting Standards (“IFRS”); and
- Part II: Accounting Standards for Private Enterprises (“ASPE”).

B.C. registered captives must prepare their financial statements in accordance with Canadian GAAP. BCFSA encourages captives to consult with their auditor to determine the form of Canadian GAAP to report under given the unique circumstances of the captive.

### ADDITIONAL INFORMATION

The International Accounting Standards Board (“IASB”) has introduced a new accounting standard, IFRS 17, that outlines principles for the recognition, measurement, presentation, and disclosure of insurance contracts. IFRS 17 replaces IFRS 4 with an effective date of January 1, 2023.

If you have any questions regarding this Advisory, please contact BCFSA Approvals Team at [statapprovals@BCFSA.ca](mailto:statapprovals@BCFSA.ca).