More room to invest: What the draft non-financial activities regulations mean for insurers

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On Oct. 17, 2026, the Department of Finance published proposed regulations for insurance companies, societies and insurance holding companies that would, subject to certain restrictions, give federally regulated insurers greater flexibility to conduct non-financial activities and invest in businesses combining financial and non-financial services. Although parallel regulations have been proposed for other federally regulated financial institutions, this bulletin focuses on insurers.

The proposed regulations would implement amendments to the *Insurance Companies Act* introduced by the *Budget Implementation Act, 2018, No. 1*. They remain subject to change and would come into force when the related legislative amendments are brought into force or, if registered later, upon registration.

The public consultation closed on Nov. 16, 2026. The submissions received will be published once they have been reviewed.

What would change?

The proposed framework would give federally regulated insurers greater flexibility to conduct non-financial activities directly or through subsidiaries. It would also create a new investment category for a “majority financial services entity.”

A majority financial services entity would be a business that is at least 60 per cent financial services but may also conduct activities that an insurer could not otherwise undertake. An insurer could potentially acquire control of, or make a substantial investment in, such a business.

The 60 per cent threshold would be met if at least 60 per cent of the entity’s revenue, operating expenses **or** assets is attributable to financial-services activities permitted for an insurer. The highest of these three measures would apply, based on the entity’s four most recent quarterly financial statements or, if it does not prepare quarterly statements, its most recent annual financial statement.

Prior ministerial approval would generally no longer be required solely because a permitted activity or investment includes a non-financial component. Other approvals

and investment restrictions under the *Insurance Companies Act* could, however, continue to apply.

What would this mean for investments in MGAs and brokerages?

Federally regulated insurers are already permitted to invest in certain insurance-distribution businesses. The *Insurance Companies Act* permits qualifying investments in entities engaged in financial services and certain activities relating to the promotion, sale, delivery or distribution of financial products or services. Whether these investment powers are available depends on the target's activities and the transaction structure, and regulatory approvals may still be required.

A practical limitation can arise where an MGA, brokerage or insurtech conducts material activities outside the categories currently permitted under the *Insurance Companies Act*. The proposed majority financial services entity category would expand the investment options available in these circumstances. An insurer could potentially invest in a target that meets the 60 per cent threshold, even if the target also carries on material non-financial activities.

The proposals may therefore be particularly relevant to hybrid businesses, such as:

- An MGA that also operates a broader technology platform;
- A brokerage offering financial services together with non-financial products or services; or
- An insurtech combining insurance distribution, underwriting support and technology services.

The changes have less practical significance for an investment in a traditional MGA or brokerage whose activities already fit within the existing investment rules.

What limits would apply?

The proposed regulations would impose two principal limits.

First, the combined non-financial revenue of an insurer, its majority financial services subsidiaries and certain other subsidiaries could not exceed:

- **15 per cent of annual revenue** if the insurer, society or insurance holding company has equity of less than $12 billion; or
- **10 per cent of annual revenue** if it has equity of $12 billion or more.

For insurers, annual revenue would be reduced by reinsurance premiums paid or payable, without an offset for ceding commissions, expense allowances or similar amounts received. An insurer could elect to use its revenue for the most recent financial year or its average revenue for the three most recent financial years.

Second, an insurer's aggregate exposure to majority financial services entities and entities engaging in non-financial activities could not exceed **10 per cent of its**

regulatory capital at any time. Exposure would include ownership interests, outstanding loans and guarantees.

If either limit were breached, all covered investments, rather than only the investment that caused the breach, would be treated as temporary investments. An investment in a majority financial services entity would also become a temporary investment if the target ceased to meet the 60 per cent threshold. Temporary-investment treatment generally means that the insurer would have to cease controlling the affected entity or holding a substantial investment in it within two years. In certain cases, the insurer would instead have to apply for approval within 90 days or dispose of the investment. Extensions or continued ownership may be permitted with the applicable regulatory approval.

Insurers considering investments in MGAs, brokerages or insurtech businesses would therefore need appropriate information rights and monitoring mechanisms to track the target's financial-services mix and the insurer's overall compliance. They may also wish to explore structures to permit the insurer to calibrate its exposure to the investment, either through economic mechanisms, through legal mechanisms similar to those used in other regulated industries or a combination thereof.

The proposed regulations would also provide a two-year transition period during which certain existing foreign and information-technology activities would be excluded from the limits and reporting requirements.

Additional reporting for larger insurers

An insurer, society or insurance holding company with equity of $12 billion or more would be required to report an acquisition of control of, or a substantial investment in, a majority financial services entity or an entity engaging in non-financial activities within 30 days after the transaction.

It would also have to submit an annual report within six months after the end of each financial year describing its relevant activities and investments and its methodology for applying the 60 per cent test and calculating the applicable revenue and capital limits. The reported information would be treated as confidential.

Insurers below the $12-billion threshold would not be subject to these reporting requirements, although the substantive limits would still apply.

What should insurers consider now?

Federally regulated insurers may wish to identify existing and proposed investments that could benefit from the new framework, particularly investments involving distribution, insurtech, underwriting support and technology businesses.

For potential MGA or brokerage acquisitions, insurers should distinguish between targets already permitted under the existing financial-services and distribution investment categories and hybrid targets that may become investable under the proposed 60 per cent test.

Insurers should also consider how they would classify a target's revenue, operating expenses and assets, obtain the necessary financial information and monitor ongoing compliance after closing.

Contact us

For further information regarding the proposed regulations and their potential implications, please contact the authors listed below.

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