Three's company: Alberta formalizes position on third-party risks for captives

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On December 12, 2024, Alberta's Superintendent of Insurance released *Bulletin 08-2024: Captives reinsuring third-party risks*, which formalizes what some of us deeply involved in the Alberta captive insurance company ecosystem have understood for some time.

The bulletin provides that an Alberta captive insurance company (an **Alberta Captive**) may assume third-party risks where all the following criteria are satisfied:

1. There is an existing relationship between the Alberta Captive's owner(s) and the third-party(ies).
2. The third-party risks are insured directly by an insurer licensed in the jurisdiction in which the risk originates. This "fronting insurer" then reinsures (or cedes) the risk to the Alberta Captive.
3. The Alberta Captive assumes at least one policy (either written directly or reinsured) that insures an eligible insured under section 27 of the *Captive Insurance Companies Act* (Alberta). Section 27 provides the persons Alberta originally intended for Alberta Captives to ensure, such as their parent and their parent's affiliates in the case of a pure Alberta Captive.

The significance of this development to the evolution of Alberta's captive insurance market cannot be overstated, and it is exciting for those of us who structure Alberta Captive ownership and distribution models of varying complexity to meet clients' business needs.

Permitting Alberta Captives to assume eligible third-party risks now provides many more options for Alberta Captive owners. For example, assuming the Alberta Captive is structured properly, a pure (single parent) Alberta Captive owned by a real estate developer may be permitted to assume certain risks of their tenants. There are so many possibilities for Alberta Captive owners to now consider.

This latest development in Alberta's captive insurance market represents a major step towards Alberta continuing to become a domicile of choice for captive owners – both for new captives and those looking to relocate their existing captives to Alberta.

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