

October 26, 2015

In the Matter of
The Securities Legislation of Saskatchewan (the Jurisdiction)

and

In the Matter of
The Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Just Solutions Inc. and JSA Insurance Ltd.

Decision

Background

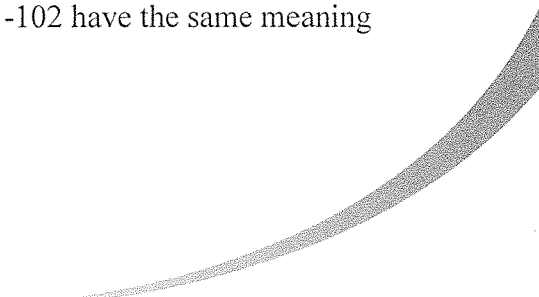
The securities regulatory authority in the Jurisdiction has received an application from Just Solutions Inc. (JS) and JSA Insurance Ltd. (JSA) (together the Filer) for a decision under the securities legislation of the Jurisdiction (the Legislation) exempting the Filer from the dealer registration requirement in section 27 of *The Securities Act, 1988* (Saskatchewan) (the Requested Relief).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

- (a) the Financial and Consumer Affairs Authority of Saskatchewan is the principal regulator for this application, and
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta and Manitoba.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.



Representations

This decision is based on the following facts represented by the Filer:

JS:

1. JS is a corporation incorporated under *The Business Corporation Act* (Saskatchewan) with its head office in Moose Jaw, Saskatchewan;
2. JS is not in default of securities legislation in any of the jurisdictions of Canada;
3. In Saskatchewan, JS is currently licensed as an insurance agent (issued Licence Number 4958) pursuant to *The Saskatchewan Insurance Act*. This licence is renewable on January 14, 2016. Other than life insurance, JS is licensed to provide all classes of insurance including captive insurance products;
4. In Alberta, JS is currently licensed as an insurance agent (issued Licence Number 7-5001222-2015) pursuant to the *Insurance Act* (Alberta). This licence is renewable on June 30, 2016. Other than life insurance, JS is licensed to provide all classes of insurance including captive insurance products;
5. In Manitoba, JS is currently licensed as an insurance agent (issued Licence Number K-22842-180-2015) pursuant to *The Insurance Act* (Manitoba). This licence is renewable on May 31, 2016. Other than life insurance, JS is licensed to provide all classes of insurance including captive insurance products;
6. As a licensed insurance agent, JS is licensed to solicit and negotiate contracts of insurance in Saskatchewan, Alberta, and Manitoba (collectively, the Jurisdictions) to JS's farming insurance business clients (Clients);
7. JS is in the business of selling insurance products and intends on providing a type of captive insurance product (JS's Captive Insurance) exclusively to sophisticated Clients in the Jurisdictions who are accredited investors within the meaning of National Instrument 45-106 – *Prospectus Exemptions* (NI 45-106). A detailed description of JS's Captive Insurance is set out below;
8. In addition to JS's Captive Insurance, JS provides insurance consultation services, and sells other insurance products, to its Clients including:
 - (a) assessing a Client's overall risk management strategy, assisting a Client to purchase available insurance vehicles, and identifying and participating in relevant government programs; and
 - (b) assisting a Client in effectively communicating the Client's overall risk to financial institutions, such as banks, insurers and reinsurers;

JSA:

9. JS's Captive Insurance is offered through JSA, a Bermuda exempted limited liability company owned by JS jointly with its Clients who purchase JS's Captive Insurance. JS is the controlling owner as the Clients are issued only preferred non-voting shares;
10. JSA is currently licensed in Bermuda as a Class 3 insurer under Bermuda's *Insurance Act* of 1978 (the BIA);
11. As a licensed insurer, JSA must:
 - (a) meet minimum capital and solvency requirements, including maintaining assets equal to at least 75 percent of its liabilities and maintaining a minimum capital and surplus of \$250,000;
 - (b) appoint an auditor to report on the company's annual financial statements and statutory financial return; and
 - (c) prepare an annual financial return and file the same with the Bermuda Monetary Authority;
12. JSA is also currently licensed as a segregated accounts company under Bermuda's *Segregated Accounts Companies Act* (the SAC Act);
13. JSA is not in default of securities legislation in any of the jurisdictions of Canada;

The Segregated Accounts:

14. As a segregated accounts company licensed under the SAC Act, JSA is permitted to create segregated accounts, or "cells" (Segregated Account), in order to segregate the assets and liabilities attributable to a particular Segregated Account from those attributable to other Segregated Accounts and from JSA itself;
15. The SAC Act enables a statutory segregation of accounts within a single company, like JSA, as an alternative to incorporating subsidiaries;
16. The assets linked to a Segregated Account are available only to meet liabilities of the Segregated Account owner and held exclusively for the benefit of the Segregated Account owner. These assets are also protected from JSA's general shareholders, other Segregated Account owners, and from JSA's creditors;
17. JSA must maintain financial records in accordance with generally accepted accounting principles of Bermuda so that such records clearly set out the assets, liabilities, income, and expenses that are linked to each Segregated Account. Unless waived in writing by the Segregated Account owner, JSA must prepare financial statements in respect of each Segregated Account and provide such statements to that Segregated Account's owner;

18. A segregated accounts company is used in the insurance industry as a vehicle for captive insurance products, similar to JS's Captive Insurance;

JS's Captive Insurance:

19. Captive insurance is a form of self-insurance that provides an alternative form of risk management to commercial insurance. Generally, a "captive" is an insurance company formed to insure or reinsure the risks of its parents and affiliates;
20. JS's Captive Insurance is a product that allows a Client to self-insure through the Client's own Segregated Account. The "captive" within JS's product is the Segregated Account in JSA, which is a licensed insurance company. Accordingly, the Client's Segregated Account, from an insurance perspective, is functionally equivalent to an insurance company owned by the Client providing business interruption insurance, farm property insurance, and crop hail insurance to the Clients;
21. The Client's ownership of the Segregated Account offers the Client the following potential benefits:
 - (a) the Client can reduce the cost of insurance programs by mitigating or avoiding commercial insurers' administrative overheads and recapturing underwriting profits and investment income, which remain in the Segregated Account;
 - (b) the Client can, through its Segregated Account, access the reinsurance markets, which operate at wholesale premium quotes and that generally offer a lower cost structure than direct insurers;
 - (c) the Client can benefit from its own individual loss experience rather than pay premiums based on industry-wide losses;
 - (d) in circumstances where insurance coverage is unavailable or uneconomical through commercial insurance, the Segregated Account can itself fund the Client's exposures. The Segregated Account can provide a degree of flexibility and control over the risk management function by allowing programs to be designed in response to specific coverage, premium and retention requirements; and
 - (e) as a Segregated Account matures and its surplus increases, it will develop a greater capacity to retain risk and create new opportunities for accessing reinsurers and pooling arrangements;
22. If a Client decides to purchase JS's Captive Insurance, the Client must obtain a Segregated Account within JSA, which requires the Client to be issued preferred non-voting shares of JSA. JSA issues 100 shares to each owner of a JSA Segregated Account for nominal consideration of \$1.00 per share and the Clients do not receive a return on their investment;
23. JS facilitates the issuance of JSA preferred non-voting shares only to those Clients who wish to purchase JS's Captive Insurance and not for any investment purpose. It is only

within the context of providing JS's Captive Insurance to a Client that JS could be considered to be trading in the shares of JSA;

24. JS does not presently trade in any securities outside the provision of shares of JSA to Clients who wish to purchase JS's Captive Insurance;
25. The preferred non-voting shares of JSA are non-transferrable, whether or not for consideration, without the prior written consent both of JSA and the Bermuda Monetary Authority;
26. Once a Client's Segregated Account is setup, insurance policies are issued to the Client by the underwriter, Trisura Guarantee Insurance Company, a licensed and regulated insurer in the Jurisdictions who is not an affiliate or related entity of JS or JSA. Reinsurance is then arranged whereby:
 - (a) a portion of coverage (known as the captive portion of the risk) is reinsured through the Client's Segregated Account, and is fully capitalized by funds in the Segregated Account; and
 - (b) the remainder of coverage (known as the ceded portion of the risk) is reinsured through third party insurers and arranged by JLT Re Canada who is a licensed broker in the Jurisdictions and under the BIA authorized to conduct this activity and is not an affiliate or related entity of JS or JSA;
27. JS's Captive Insurance is offered by JS in exchange for an initial set-up fee and an annual maintenance fee. JS also receives insurance commission on the ceded portion of the risk that is reinsured through third party insurers; and
28. JS's Clients are provided with disclosure regarding JS's Captive Insurance including:
 - (a) a brochure outlining JS's Captive Insurance;
 - (b) information regarding JS's relationship with JSA;
 - (c) a copy of a Preference Shareholder Agreement that governs the relationship between JSA and the Clients;
 - (d) the Trisura Guarantee Insurance Company insurance policy, the website for Trisura Guarantee Insurance Company and JS will provide Clients with assistance if they have questions regarding Trisura Guarantee Insurance Company;
 - (e) the website for JLT Re Canada and JS will provide Clients with assistance if they have questions regarding JLT Re Canada;
 - (f) information regarding the fees and commissions associated with the Clients' purchase of JS's Captive Insurance; and

- (g) Clients are made aware that the issuance of JSA shares is only in connection with the provision of JS's Captive Insurance and for no other purposes.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision. The decision of the principal regulator under the Legislation is that the Requested Relief is granted provided that:

- (h) JS maintains its insurance agent licences in good standing in any of the jurisdictions of Canada where it offers JS's Captive Insurance;
- (i) JS will not trade any securities other than preferred non-voting shares of JSA, and will trade such shares only to Clients who purchase JS's Captive Insurance;
- (j) JSA maintains its licences as an insurer in good standing under the BIA and as a segregated accounts company under the SAC Act; and
- (k) JS will offer JS's Captive Insurance only to Clients who are accredited investors within the meaning of NI 45-106.



Director, Securities Division
Financial and Consumer Affairs
Authority of Saskatchewan