

02/01/2013 12:24 PM

Dear Mr. Stevenson

Ref: 2. Excluded Derivatives

Subsection 2a) and b) of the Scope Rule recognizes insurance as an excluded derivative if it is issued by an insurer licensed under federal or provincial insurance legislation.

I wish to bring to your attention what we believe is an inconsistent treatment of insurance policies in the Scope Rule 2) Excluded Derivatives. We request that unlicensed insurers be recognized as excluded derivatives consistent with the treatment of licensed insurers.

BC Hydro is a significant buyer of catastrophe insurance (eg Property and Corporate General Liability) for which it pays annual premiums to approximately twenty five global insurers and reinsurers. The insurance program insures against a number of perils including but not limited to fire flood, earthquake etc. A number of these underwriters are unlicensed in Canada and under the current status of the Scope Rule insurance policies issued by them would be recognized as derivatives. The underwriters' licensed status should not be a criterion in determining whether these insurance policies are derivatives.

There is a finite amount of underwriting capacity in the Canadian catastrophe insurance market and an insurer's licensed status does not necessarily determine its financial ability to underwrite large cat risk. Recognizing unlicensed insurers and reinsurers as derivatives is an unnecessary administrative burden and depending on the developments in securities regulation could have unintended negative consequences.

Regards,  
James

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Treasurer

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