



CENTRAL BANK OF
TRINIDAD & TOBAGO

Reinsurance Risk Governance Guideline for Insurers

August 2021

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1. INTRODUCTION

- 1.1 Reinsurance is an important risk management tool available to an insurer. It can be used to reduce the volatility of financial results, stabilize solvency, make more efficient use of capital, allow an insurer to better withstand catastrophic events, increase underwriting capacity, and draw on reinsurers' expertise.
- 1.2 Reinsurance, however, exposes the insurer to other risks including operational, legal, counterparty and liquidity risk. Inadequate reinsurance risk management practices and procedures can materially affect an insurer's financial condition and reputation, and jeopardize policyholder security.
- 1.3 The Corporate Governance Guideline and other relevant Guidelines issued by the Central Bank of Trinidad and Tobago (Central Bank) extend to the management and operation of an insurer's reinsurance function, as it is a risk management tool requiring oversight by the insurer's Board of Directors.
- 1.4 Insurers do not require the prior approval of the Central Bank to proceed with their reinsurance arrangements or alternative risk transfer arrangements but must ensure on a continuous basis that the arrangements are adequate for the nature and scale of the insurance risks undertaken or planned to be undertaken as required under sections 28(1) and 29 of the Insurance Act, 2018 (the Act). In this regard, the Central Bank and the Inspector of Financial Institutions (Inspector) have certain regulatory powers under sections 28, 29, 34(1)(p) and 154 of the Act and may require insurers to take remedial action as deemed reasonable.
- 1.5 Insurers are reminded that their reinsurance arrangements must not be allowed to lapse. Insurers **must** notify the Central Bank within twenty (20) business days following the expiry of prior reinsurance arrangements or any other changes to its reinsurance arrangements and give particulars of any changes. The Central Bank may request further information on those reinsurance arrangements, which the insurer is required to provide in a timely manner.

2. DEFINITIONS

2.1. All expressions used in this Guideline (except where defined below or where the context otherwise requires) have the same meanings as defined in the Act.

2.2. For the purpose of this Guideline-

“alternative risk transfer arrangement” means an arrangement, other than reinsurance, used to indemnify an insurer against all or a part of the loss that it may sustain under issued policies;

“**captive insurer**” means an insurance or reinsurance entity that indemnifies the risks of its parents, subsidiaries, or other affiliates;

“**catastrophe losses**” means any losses arising from –

- a) earthquake shock, fire following an earthquake or a flood caused by an earthquake;
- b) hurricanes, cyclones, tornadoes, windstorms, including rain and flood accompanying or caused by those perils;
- c) riots, civil commotions and malicious damage; or
- d) other natural or man-made disasters;

as described in the reinsurance treaty of the insurer governing catastrophe losses;

“**catastrophe risks**” means risks in respect of catastrophe losses;

“**credit rating**” has the meaning assigned to it in the Guideline, on credit ratings issued by the Central Bank and includes the credit ratings specified in the Equivalency Mapping table by the Central Bank from time to time;

“**credit ratings agency**” has the meaning assigned to it in the Guidelines on credit ratings issued by the Central Bank;

“**facultative reinsurance**” means a reinsurance arrangement which involves the placement of a specific risk(s) with one or a group of reinsurers who reinsure the risk(s) on an agreed basis;

“**finite reinsurance**” means an arrangement that transfers limited risk relative to aggregate premiums payable under the insurance contract;

“**fronting arrangement**” means a reinsurance arrangement whereby one hundred percent (100%) of the risk exposure for a policy or group of policies is ceded to the reinsurer while the insurer remains legally responsible for handling any claims under its issued policies;

“**insurer**” in this Guideline means a local insurer;

“**reinsurance**” has the meaning assigned to it in the Act and the term “**reinsure**” shall be construed accordingly;

“**retrocession**” means a transaction in which a reinsurer transfers risks it has reinsured to another reinsurer and the term “**retrocessionaire**” shall be construed accordingly;

“**risk appetite**” means the total level and type of risk exposure that an insurer is willing to undertake to achieve its objectives;

“**risk tolerance**” means specific parameters and/or limits on the level and amount of risk an insurer is willing to accept or retain and includes maximum net retentions.

3. PURPOSE AND SCOPE OF THE GUIDELINE

- 3.1. This Guideline is intended to –
- a) outline the Inspector's minimum requirements for the development of effective reinsurance policies and procedures, alternative risk transfer arrangements and other arrangements under section 154(1)(c) of the Act;
 - b) set out the oversight framework of a company's reinsurance risk management by the Central Bank and the Inspector;
 - c) assist insurers with implementing and maintaining an effective reinsurance risk management framework that facilitates safe and sound practices and protects the interest of policyholders.
- 3.2. Adequate reinsurance arrangements are a continuous registration requirement for all insurers, including those deemed to be registered under section 23 of the Act. At a minimum, insurers must implement the principles and procedures for an effective reinsurance risk management framework set out in this Guideline.
- 3.3. This Guideline –
- a) is applicable to all local insurers in respect of their reinsurance of local, regional and international insurance business;
 - b) will guide insurers, prospective applicants seeking to be registered as insurers under the Act and foreign insurers after they incorporate locally in accordance with sections 21 and 281 of the Act; and
 - c) does not apply to foreign companies that do not have an established place of business in Trinidad and Tobago, including those foreign companies whose activities are restricted to accepting reinsurance ceded to them by local insurers under section 21(5) of the Act.

4. ROLE OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

- 4.1. Every insurer should have a sound and comprehensive reinsurance strategy or Reinsurance Risk Management Policy (RRMP), subject to the oversight of its Board of Directors and implemented by Senior Management.
- 4.2. The delegation of the day-to-day management of the reinsurance arrangements should be governed by appropriate terms of reference for the employees or departments involved, including scope of authority and specification of matters reserved for the Board of Directors and/ or Senior Management.
- 4.3. The role of the Board of Directors (Board) and Senior Management is as follows:
- a) The Board should ensure that all legal and regulatory requirements, in relation to reinsurance, are met.

- b) The Board should set limits on the net risk retained per class of business and in aggregate for the insurer, as well as the minimum foreseeable amount of reinsurance protection to be obtained from reinsurers.
- c) The RRMP should be reviewed and approved by the Board upon the occurrence of key events to ensure that it reflects the insurer's risk profile and market conditions, at least every two years for general insurance business and at least every four years for long-term insurance business.
- d) The Board is responsible for ensuring that the insurer complies with the RRMP, which is a critical area of an insurer's operations. The Board must ensure that appropriate due diligence is carried out before acting on advice received from Senior Management or a third party. The minimum requirements for conducting due diligence must also be outlined in the company's policies and procedures (see also paragraphs 5.6.2 and 5.6.3).
- e) The Board should ensure that the Senior Management team possesses the appropriate knowledge and expertise to develop and establish internal controls and procedures to monitor the effectiveness of the RRMP on an on-going basis.
- f) Senior Management is responsible for executing the RRMP according to the terms set by the Board and for ensuring that it is operationalized through the dedication of adequate resources and implementation by knowledgeable personnel.
- g) At a minimum, the terms of reference should require Senior Management to be responsible for documenting policies and procedures for implementing the RRMP.

5. THE REINSURANCE RISK MANAGEMENT POLICY

- 5.1. An insurer's RRMP must be appropriate to the nature, scale and complexity of its business. The implementation of these minimum criteria for the RRMP will permit an insurer to establish a framework for adequate reinsurance arrangements, when considered in tandem with its risk profile, capital adequacy and other relevant factors.
- 5.2. In developing the RRMP, the insurer must consider the following:
 - a) Its risk appetite and risk tolerance;
 - b) Its views on future market and economic trends, including climate risk, and underwriting forecasts;
 - c) Its business model, including levels of capital, underwriting policy and the class(es) of insurance business being underwritten or to be underwritten;
 - d) Peak exposures to claims and seasonality in the insurer's book of business;
 - e) Levels of diversification in the insurer's book of business;
 - f) Appetite for credit risk posed by reinsurers;

- g) Its liquidity management strategy and the likely payment patterns for claims; and
- h) Its regulatory capital required and relevant risk factors under the Insurance (Capital Adequacy) Regulations, 2020 during the design and negotiation of the insurer's reinsurance arrangements.

5.3. The RRMP should form an integral component of an insurer's overall enterprise risk management framework. Stress testing may be utilized to assess the adequacy of the insurer's reinsurance arrangements and the consistency of those arrangements with its approved risk appetite and risk tolerance.

5.4. RRMP CONTENT

The RRMP should define and document the insurer's approach, policies and procedures for managing risks through reinsurance. At a minimum, the RRMP should address and document the following:

- a) The purpose and objectives for seeking reinsurance, including the insurer's policy on fronting arrangements, use of captive insurers, alternative risk transfer and finite reinsurance, where applicable;
- b) Elements of reinsurance risk management such as risk appetite, risk tolerance, risk diversification objectives, risk concentration limits, ceding limits, desired net retention and aggregate counterparty exposure limits;
- c) The policies and procedures for reinsurance with connected parties or related groups;
- d) The methodologies and processes for determining, approving, documenting, monitoring and reporting on the reinsurance to be purchased, including procedures to ensure contract certainty and appropriate criteria for the purchase of facultative reinsurance;
- e) Procedures for monitoring aggregate exposures and counterparty exposures, ensuring that all reporting due to and from reinsurers is timely and complete, ensuring that all settlements are made as required by the reinsurance contract and monitoring and confirming the placement of each risk covered by facultative reinsurance;
- f) The selection criteria for reinsurers (whether rated or unrated) including how to assess their safety and soundness;
- g) The management of catastrophe risk, including liquidity risk in the event of catastrophe losses;
- h) Parameters on the use of expert advisers such as reinsurance brokers and other third parties;
- i) The roles and responsibilities of the Board and Senior Management in the oversight, implementation and monitoring of the RRMP (see section 4); and
- j) Internal controls for the monitoring of compliance with the RRMP.

5.5. PRINCIPLES TO GUIDE THE DEVELOPMENT OF RRMP

The principles in the following list should be used as a guide in developing the RRMP. This list also reflects the **minimum criteria** for reinsurance and will be used by the Inspector for the purpose of assessing the adequacy of reinsurance arrangements pursuant to section 154(1)(c) of the Act. In respect of developing an RRMP that leads to adequate reinsurance, this list is not intended to be exhaustive. Ultimately, the insurer is responsible for developing a comprehensive and prudent approach to managing its reinsurance risks.

5.5.1. Reinsurance for a legitimate purpose

Reinsurance arrangements must be established for a legitimate purpose. They must not be designed or used for improper purposes and must not be misleading to the Central Bank or to other legitimate stakeholders. For example, some types of finite reinsurance are structured as reinsurance but do not effectively transfer the risk away from the insurer to the reinsurer. Instead, they may be used improperly to artificially improve an insurer's financial statements or to reduce its regulatory capital requirements. In such a case, the finite reinsurance will not be recognized as reinsurance.

5.5.2. Transfer of risk

- a) The principal function of reinsurance is to transfer risk from the insurer to a reinsurer. A reinsurance arrangement must effectively transfer risk and indemnify the ceding insurer in order to be recognised as reinsurance in the insurer's financial statements or returns pursuant to section 154 of the Act.
- b) Risk transfer can be a matter of degree. For instance, there are many legitimate features of reinsurance arrangements that limit the risk taken on by the reinsurer. Each insurer is expected to ensure that it identifies and understands features of its reinsurance arrangements that may limit the transfer of risk or delay the timely reimbursement of claims by the reinsurer. The insurer must be transparent when advising the Central Bank of such features. Examples of features that may limit risk transfer include (but are not limited to):
 - i. High reinstatement premiums;
 - ii. Profit commissions;
 - iii. Large aggregate deductibles;
 - iv. Experience account arrangements over multiple years;
 - v. Commutation options; or
 - vi. Side agreements to 'repay' losses to reinsurers.

5.5.3. Fronting arrangements

- a) It is noted that some insurance business is transacted via fronting arrangements. This is frequently because of a lack of capacity and expertise in the insurer, and

even the local insurance market as a whole, to write large and complex risks, such as petroleum risks. Sometimes these large and complex risks may involve reinsurance directly into the foreign commercial market or with a captive insurer.

- b) An insurer undertaking any fronting arrangements, however, must provide the Inspector, upon request, with full and transparent information about the arrangements including:
- i. The purpose of the arrangement;
 - ii. The type of insurance business and nature of the policyholders;
 - iii. The insurers or reinsurers receiving the business and their most current credit ratings by a credit rating agency;
 - iv. The premium volume and the net revenue to the insurer;
 - v. Analysis of the risks to the insurer, including the risk of non-recovery from reinsurers;
 - vi. The steps taken to manage or mitigate risks to the insurer; and
 - vii. Any other information requested by the Inspector.

5.5.4. Use of captive insurers

Captive insurers can provide greater flexibility and additional benefits and can be used for the purpose of risk mitigation and management. An insurer making use of a captive insurer must inform the Inspector and, upon request, provide full and transparent information including but not limited to:

- a) schematics of the organizational structure and the financing/capital structure of the captive insurer;
- b) terms and provisions of any guarantees; and
- c) the domicile of the captive insurer.

5.5.5. Alternative risk transfer arrangements

- a) Subject to paragraph 5.7.2, alternative risk transfer arrangements will not be recognised as reinsurance unless there is a genuine and effective transfer of risk whereby the reinsurer assumes all the significant risks of the reinsured portions of the underlying insurance contracts and that these risks are not negated by contract provisions.
- b) The insurer must be aware of any contractual features that may limit the amount of insurance risk to the reinsurer or delay the timely reimbursement of claims by the reinsurer.

5.5.6. Retention levels

- a) When setting retention levels for reinsurance, an insurer should consider its risk profile, classes of business written, categories of risks within each class of business,

the effect on its capital (including regulatory capital available), the effect of claims volatility on the financial results, and availability of cash flows to meet claims.

- b) An insurer's retention strategy should take into account not only single risk claims but also multiple risk events.
- c) Retention levels should be established as the maximum amount the Insurer is targeting to retain. Often times this goes hand in hand with the setting of internal underwriting risk limits. This type of planning is a component of a robust risk management process, and the objective of the RRMP.

5.5.7. Reinsurance with connected parties or related groups and captives

- a) Reinsurance with connected parties or related groups increases an insurer's exposure to connected party risk, making it more dependent on the on-going solvency of the connected parties or related groups. In order for such reinsurance to be recognised, it must meet the following minimum standards:
 - i. The arrangement must be formalised by way of a reinsurance treaty;
 - ii. The reinsurer must be registered and authorised to write reinsurance in its home jurisdiction and permitted by its home regulator to reinsure business of the insurer;
 - iii. The reinsurer's home regulator must be aware of the treaty and must not have raised any material concerns with the Central Bank;
 - iv. The rating of the reinsurer must be at least B+ or an equivalent credit rating from a credit rating agency; and
 - v. Any other condition specified by the Inspector.
- b) If the requirements at subsections a) iv. and v. above are not met, the Inspector shall require the insurer to hold certain assets in a specific form and/or limit recognition of the reinsurance with the connected party.
- c) In establishing the reinsurance arrangement with an insurance company in the related group, the Board and management of the insurer are responsible for examining the arrangement from its own company's perspective and ensuring that the arrangement is in the interests of the insurer and its policyholders.
- d) The procedures for managing reinsurance recoverables, including required reporting, must be agreed in writing by all parties i.e. the relevant connected parties or parties in a related group.

5.5.8. Contract certainty

- a) An insurer should have policies and procedures in place to ensure that reinsurance arrangements are properly documented and provide legal certainty.
- b) To achieve clarity and certainty on reinsurance coverage, a reinsurance contract should be unambiguous. There should ideally be complete and final agreement of

all material terms and conditions of the contract, documented in writing by all parties prior to the contract's effective date.

- c) Reinsurance arrangements can be complex and specialised and occasionally, uncertainties and disputes may arise. It is expected that each insurer will act transparently, promptly and effectively in such situations as they arise.
- d) Notwithstanding paragraph 5.5.8.b), if a reinsurance contract is executed after the effective date, the insurer should obtain legal advice on how to mitigate the legal risks which may arise in such circumstances. The insurer, subject to legal advice, must at a minimum mitigate those risks by:
 - i. Obtaining contractually binding summary documents, for e.g. a slip cover, cover note, letter of proposal or binding letter of intent, prior to the effective date of the reinsurance coverage, including, but not limited to electronic copies, or original hard copies, of confirmations from the reinsurer or reinsurance broker that set out:
 - The premium / consideration paid;
 - The percentage of risk assumed by each reinsurer;
 - The risk(s) reinsured;
 - The duration of the coverage;
 - Where applicable, any exclusions to terms of coverage; and
 - Any standard clauses that are to be relied upon or incorporated by reference into the reinsurance contract;
 - ii. Addressing, any material issues most likely to arise, including all variable or unique agreement terms, within the summary document; and
 - iii. Ensuring that all final comprehensive reinsurance treaty contracts, including any amendments thereto, bear the duly authorized signature of both the ceding company and the reinsurer(s) within twenty (20) business days after the contract's effective date.

5.5.9. Facultative arrangements

- a) Facultative reinsurance is equally valid as treaty reinsurance in providing protection to an insurer to accept risks that are outside of the treaty coverage and/or its risk appetite. Before relying on facultative reinsurance, each insurer must -
 - i. have a clear policy and procedure in respect of purchasing facultative reinsurance;
 - ii. have a pre-determined process to ensure that facultative reinsurance has been arranged when it is necessary and that the facultative contract has actually been completed;
 - iii. apply suitable standards of documentation to ensure contract certainty;

- iv. be readily able to identify the largest individual risk that the insurer writes and any corresponding facultative covers;
- v. have a central record of all facultative reinsurance purchased;
- vi. have appropriate reporting to show facultative reinsurance premiums paid, any commissions received and any claims against facultative reinsurance; and
- vii. Any other condition specified by the Inspector.

5.5.10. Selection of reinsurers

- a) Insurers should evaluate the ability of all current and prospective reinsurers to meet their liabilities on an on-going basis.
- b) The level of the due diligence carried out on any reinsurance counterparty should be commensurate with the level of exposure to, and credit risk of, the counterparty.
- c) Each insurer must consider the security of its reinsurance arrangements, and must be satisfied that both the spread of its arrangements across different reinsurers and the financial strength of each reinsurer are adequate for the nature and scale of the insurance risks that it undertakes or plans to undertake.
- d) Insurers should be mindful of the risk of having a heavy concentration of reinsurance with one counterparty or a representation of reinsurers that are unrated or have relatively low credit ratings.

5.5.11. Catastrophe reinsurance

- a) An insurer with catastrophe exposure is expected to obtain expert advice to determine its probable maximum loss (PML). It is recognised that the application of scientific modelling approaches may not be well developed for the Trinidad and Tobago market and, therefore, an assessment of an insurer's PML based on international insurance industry benchmarks is permitted.
- b) Each insurer, however, should examine and understand its catastrophe exposure in order to assess whether industry benchmarks are valid for its business.
- c) If an insurer has exposure in other territories, then the combined exposure of Trinidad and Tobago with those other territories must be considered in assessing the adequacy of cover for catastrophe losses.

5.5.12. Insolvency provisions

- a) The insurer should consider how the reinsurance contracts will operate in the event of an insolvency of itself or its reinsurer(s).
- b) The terms and conditions of a reinsurance contract should not raise legal questions as to the availability of funds to cover policyholder claims in the event of the insurer's insolvency.

- c) The insurer should ensure that all reinsurance contracts contain an insolvency clause clarifying that, in the event that the insurer goes insolvent, the reinsurer must continue to make full reinsurance payments on the basis of the reinsurer's liability under the reinsurance contract without any reduction caused by the insurer's insolvency.
- d) Reinsurance contracts should not contain other terms, clauses or conditions that may limit, rather than enhance, a troubled or insolvent insurer's ability to enforce the contractual obligation of a reinsurer, including the coverage of policyholder's claims.
- e) The insurer should understand the following sections if they appear in the contract:
 - i. "off-set" clauses which permit each party to net amounts due against those payable before making payment. This is especially important in the event of insolvency of one party that ceases to remit amounts due to the other.
 - ii. "cut-through" clauses which may allow an entity which is not party to the reinsurance treaty to have rights against the reinsurer under the reinsurance agreement, require any part of a loss covered by reinsurance to be paid directly by the reinsurer to the policyholder, or when used with retrocessions, facilitate the receipt of reinsurance payments directly from the retrocessionaire if the insurer is unable to recover from the reinsurer.
- f) The insurer must seek advice from a qualified legal counsel to ensure that the types of clauses in paragraph 5.5.12.d) do not run counter to the insolvency laws or allow certain policyholders or creditors to have preferential treatment by diverting funds away from the insolvent insurer to a specific creditor, group of creditors or policyholder.

5.5.13. Jurisdiction

All contracts related to reinsurance coverage of an insurer must be subject to the laws of Trinidad and Tobago. The insurer must ensure that the arbitration clause is appropriately worded such that the law of Trinidad and Tobago will be applied to the substance of the dispute before the arbitral panel.

5.6. USE OF THIRD PARTIES

- 5.6.1. The Central Bank recognizes that there are situations where it may be appropriate for an insurer to utilize the services of a third party to:
- a) advise on risk limits and catastrophe PML's;
 - b) advise on reinsurance arrangements;
 - c) assist with conducting due diligence on reinsurance counterparties;
 - d) assist the insurer in accessing and working through the reinsurance market; and

- e) act as a conduit between the insurer and the reinsurance counterparties for the administration of the reinsurance contract, once the reinsurance has been placed.
- 5.6.2. Notwithstanding paragraph 5.6.1, the responsibility for the structure of the reinsurance arrangements, selection of reinsurers and the management of any counterparty risks must remain with the insurer, specifically with its Board of Directors with the support of Senior Management. An insurer must not abdicate its responsibility for reinsurance to a third party, such as a reinsurance broker, and remains fully responsible for its reinsurance arrangements even if it seeks the advice of a third party.
- 5.6.3. The role of the third party is to act on pre-established criteria as set out by the insurer. Directors and officers of insurers must demonstrate sufficient knowledge of the function, responsibilities and due diligence exercises carried out by third parties. Where an insurer utilises the services of a third party, it is essential that a prudent approach to managing risks is established. In this regard, the insurer is responsible for ensuring that-
- a) the process used to select the third party is documented and approved by the Board;
 - b) a programme for managing and monitoring the activities of the third party is implemented;
 - c) the Board receives information sufficient to enable them to discharge their oversight responsibilities;
 - d) the third party agreement is documented in the form of a written contract and addresses all elements of the arrangement; and
 - e) it receives regular updates of information on its panel of reinsurers (compiled by the broker, where applicable) and keeps abreast of developments in the international reinsurance markets, especially developments relating to the reinsurers on its panel.

5.7. ACCOUNTING TREATMENT

- 5.7.1. An insurer must report reinsurance in its financial statements and Insurance Act Annual Returns in accordance with financial reporting standards on reinsurance.
- 5.7.2. Alternative risk transfer arrangements, captive insurer arrangements and fronting arrangements will only be recognised as reinsurance if the financial reporting standards allow for its recognition as reinsurance, in addition to the criteria specified in this Guideline.

6. REPORTING REQUIREMENTS

- 6.1. Insurers are required to maintain and provide to the Central Bank or Inspector, upon request:
 - a) A copy of its RRMP;
 - b) A complete description of all its reinsurance arrangements, including levels of reinsurance, any alternative risk transfer arrangements;
 - c) Copies of all reinsurance contracts;
 - d) The proportion of reinsurance cessions to rated and unrated reinsurers;
 - e) Details on the amounts outstanding from reinsurers, including amounts in dispute;
 - f) Information on exposures and potential losses after a major catastrophic event; and
 - g) Any other information relevant to its reinsurance arrangements.
- 6.2. In addition to the reporting requirements pursuant to section 154(3) of the Act, an insurer shall submit to the Inspector information on its reinsurance arrangements and a declaration by its Chief Executive Officer or a designated Senior Manager in the Insurance Act Annual Returns of the insurer and as shown in Appendix I and II, respectively.
- 6.3. Insurers are required to immediately inform the Inspector if they become aware of any reinsurance issues that could materially impact their financial condition or affect their current or future capability to meet their obligations.

7. IMPLEMENTATION

- 7.1. This Guideline comes into effect upon its issuance (effective date).
- 7.2. Insurers are required to implement the requirements and standards set out in this Guideline within one year from the effective date.

APPENDIX I – REPORTING REQUIREMENTS

In accordance with section 154(3) of the Act, an insurer shall, within twenty (20) business days following the expiry of prior reinsurance arrangements or any other change to its reinsurance arrangements notify the Central Bank of the particulars of such changes, which must include the items in 1 i. or 2 i. below.

Further, Insurers shall submit to the Central Bank information on its reinsurance arrangements that will exist as at the first day of the next Financial Year, along with the Insurance Act Annual Returns according to all of the parameters stated below.

1. For insurers writing general insurance business:

- i. Provide a summary, which should include for each reinsurance treaty and facility:
 - a) treaty/facility number;
 - b) effective date;
 - c) expiry date;
 - d) the nature and limits of cover;
 - e) the classes of business and territories covered;
 - f) the number and cost of reinstatements available;
 - g) the estimated reinsurance premiums and exchange/ceding commission (if relevant);
 - h) the names of reinsurers, their share percentage and their most current credit ratings by a credit rating agency;
 - i) governing law;
 - j) a description of the circumstances in which facultative reinsurance is used; and
 - k) a summary of any material changes to the structure or terms based on the insurer's prior submission(s).
- ii. The insurer must also:
 - a) provide details of any reinstatement premium protection policy arrangements;
 - b) state and explain classes of business, territories and products which are not reinsured;
 - c) state whether any captive insurers are used; and
 - d) state whether any fronting arrangements are undertaken.

- iii. A confirmation letter(s) from the reinsurer(s) or broker(s) should be provided, indicating whether:
 - a) the summary of the reinsurance arrangements is accurate and complete;
 - b) all new, continuing or amended reinsurance arrangements have been placed or the current status of these arrangements;
 - c) for each treaty and facility, all reinsurance premiums due from the insurer to reinsurers have been paid (or the status of any overdue payments); and
 - d) there are any disputes with the reinsurers about recovery on particular claims or the coverage provided, including in respect of reinsurance for previous years.

2. For insurers writing long-term insurance business:

- i. Provide a summary, which should include for each reinsurance treaty and facility:
 - a) treaty/facility number;
 - b) reinsurer;
 - c) reinsurers' most current credit ratings by a credit rating agency;
 - d) effective date;
 - e) renewal and cancellation terms;
 - f) classes of business, products and territories covered;
 - g) type of reinsurance, the basis of reinsurance and the reinsurers' share percentage;
 - h) retention limits;
 - i) automatic and facultative limits;
 - j) recapture terms;
 - k) summary of any profit sharing;
 - l) details of any non-standard exclusions;
 - m) details of any non-guarantee of rates;
 - n) volume statistics – new business;
 - o) volume statistics – in-force business;
 - p) governing Law
 - q) a summary of any material changes to the structure or terms based on the insurer's prior submission(s).

- ii. The insurer must also:
 - a) state and explain classes of business, territories and products not reinsured;
 - b) state whether any captive insurers are used; and
 - c) state whether any fronting arrangements are undertaken.
- iii. A confirmation letter(s) from the reinsurer(s) or broker(s) should be provided, indicating whether:
 - a) the summary of the reinsurance arrangements is accurate and complete;
 - b) all new, continuing or amended reinsurance arrangements have been placed or the current status of these arrangements;
 - c) reinsurance premiums due are settled on a timely basis for each treaty; and
 - d) there are any material disputes about recovery on particular claims, the coverage provided, underwriting of risks or the administration of the treaties, including in respect of reinsurance for previous years.

APPENDIX II – DECLARATION BY OFFICERS

Declaration by the Chief Risk Officer/Chief Executive/Designated Senior Manager

I, (Name), Director and I (name) Chief Risk Officer/Chief Executive/Designated Senior Manager of (Company Name), (Address of Company) have examined the reinsurance arrangements of (Company Name), for the financial year (Date).

In my opinion:

- a) The insurer has complied with the requirements of the Insurance Act, 2018, and any applicable Regulations and Guidelines made thereunder; and
- b) the reinsurance arrangements for the financial year (Date) are:
 - i) adequate for the nature and scale of the insurance risks that it undertakes or plans to undertake and in terms of the criteria set out in any applicable Guidelines [See 28(1)(b) and 154(1)(c)]; and
 - ii) in line with the company's policies and procedures.

.....
*Signature of the Chief Risk Officer/
Chief Executive/Designated Senior Manager*

.....
Date

.....
*Signature of Director
(on behalf of the Board)*

.....
Date

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