



Reference: Guideline for
Life/P&C/Fraternal

Our File: P2050-9-4

December 8, 2006

To: Life Insurance Companies & Fraternal Benefit Societies
Foreign Life Insurance Companies and Fraternal Benefit Societies
Property and Casualty Insurance Companies
Foreign Property and Casualty Insurance Companies

Subject: Draft Guideline B-13 – Reinsurance Agreements

Attached for your review is a draft guideline that sets out prudential considerations for the formal completion and execution of reinsurance agreements and for complete wording within an agreement. The need for such guidance became apparent during a review of reinsurance arrangements across the industry. OSFI noted there is often a disparity in the length of time between the initiation of a reinsurance arrangement and formal execution by the parties of the agreement. Coverage during this period is usually set out in a less formal document (e.g., slip/cover note/letter of proposal). However, if an event were to occur within this period, the lack of certainty relating to coverage in the informal document could create risks for the both the ceding and assuming companies.

On the date the guideline is finalized, the provisions of the guideline will apply to all new reinsurance arrangements (including renewals and amendments to existing agreements signed by both parties), as well as to those reinsurance arrangements that have been initiated but not formally executed by the parties. We would appreciate receiving comments by January 19th, 2007. Please forward any comments you have to Monique Champagne, Manager, Legislation and Policy Initiatives, at (613) 990-6943, by facsimile at (613) 998-6716 or by email at monique.champagne@osfi-bsif.gc.ca.

Yours truly

Robert Hanna
Acting Assistant Superintendent
Regulation Sector

Attach.

