



Joint Cedent Reinsurance Contracts Limitation of Offset Rights in Event of Insolvency

An ad Hoc committee of Bruce Perry, Bob Lee and Angus Ross met on the morning of December 14 with OSFI officials John Thompson, Naren Sheth and Frank Mackowiak to try to resolve the above.

The question is more complex than it seems at first glance and it has been agreed that OSFI will write to RRC outlining their principles and concerns in 4 areas:

1. Joint cedent reinsurance contracts for Canadian groups, principally where one member of the group is not regulated by OSFI.
2. Joint cedent reinsurance contracts for subsidiaries of US companies.
3. Joint cedent reinsurance contracts for foreign branches.
4. Collectability of reinsurance proceeds where a Canadian branch is protected under Head office covers but not named in the contract.

These concerns will be reviewed on an urgent basis with the aid of the RRC Finance Committee where appropriate.

In the meantime the Directors of RRC approved the following recommended procedure for 1994 and 1995 wordings.

- 1994 wordings including the joint cedent insolvency clause ought to be signed on the understanding that the signature creates neither precedent nor estoppel for future wordings.
- 1995 wordings should be subject to the clause finally agreed between RRC and OSFI, regardless of the clause actually included in wordings prepared prior to the final OSFI/RRC clause or incorporated in the underwriting proposals for 1995.

You will be kept updated as developments occur and we expect the matter to be resolved early in 1995.