



The Reinsurance Research Council
Le Conseil de Recherche en Réassurance

BULLETIN 24

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RRC

Special Termination Clause

It is understood and agreed that should either party to this Agreement:

1. (a) fail to meet the minimum Capital requirements of Canadian governing regulatory authorities;
- (b) go into liquidation or have a receiver appointed
- (c) cease writing new or renewal business under the direction or order of a Canadian governing regulatory authority;
- (d) enter any arrangement either by way of share holding or management or otherwise under which effective legal or presumptive control is assumed by any individual or organization other than that which pertained at the time this Agreement became effective;
- (e) in the case of the Company only, effect a reduction in the net retained share of the business reinsured hereunder without the prior written consent of the Reinsurer;

The party which is subject to any of the forgoing shall immediately notify the other party.

2. Acting upon actual or constructive notice, the other party shall have the right to terminate this Agreement by registered letter, facsimile transmission, telegram, or any other means of communication that provides a permanent record of such communication, stating therein the date and time of termination, which shall be not less than 30 days following delivery of such notice.
3. (a) With regard to that part of this Agreement which is reinsured on a proportional basis (if any), such notice of termination may, at the option of the party giving notice, include termination of the business in force at the date of termination against return of the unearned premiums less applicable commission thereto.
- (b) With regard to that part of this Agreement which is reinsured on a non-proportional basis (if any), the premium due to the Reinsurer shall be calculated (or first calculated, in the case of Agreements subject to rate adjustment) by the Company within 40 days of the date of termination, and, if not earned in total or in part by reinstatement provisions, shall be based upon the applicable subject premium income of the Company up to the date of termination or pro rata of the annual minimum premium, whichever is greater.

4. If the performance of this Agreement is prohibited or rendered impossible de jure or de facto in particular and without prejudice to the generality of the preceding words in consequence of any law or regulation which is or shall be in force in any country or territory or, in any law or regulation shall prevent directly or indirectly the remittance of all or any part of the balance of payments due to or from either party, the party concerned shall inform the other party immediately, and termination rights shall apply to both parties as under the conditions of paragraph 2 above.

Notes to accompany Special Termination Clause

Clause 1 Paragraph (a) the new test is called the Minimum Capital Test (or Branch Asset Adequacy Test, in the case of branches), and this clause has been updated accordingly. The word "requirement" is pluralized as there can be more than one capital requirement of regulatory authority (ies).

In paragraphs (a) and (c) the words "appropriate regulatory authority" have been changed to "Canadian governing regulatory authority" to remove any confusion as to which regulatory authority may have jurisdiction over the business referred to in this agreement.

Clause 2 The word "telex" has been removed as it refers to out of date technology. The words "or any other means of communication that provides a permanent record of such communication," have been added to cover other and future means to convey the notice of Special Termination.

All references to Retroactive cancellation have been removed.

Clause 3 In paragraph (b) the word "applicable" has been added to further define the actual subject premium to be used in the calculation of return premium.