

Reinsurance Risk Management



ASSAL Meetings

San Jose, November 30, 2016





- **Guiding Principles – Insurance Core Principles**

ICP 13 Reinsurance and Other Forms of Risk Transfer

The supervisor sets standards for the use of reinsurance and other forms of risk transfer, ensuring that insurers adequately control and transparently report their risk transfer programmes. The supervisor takes into account the nature of reinsurance business when supervising reinsurers based in its jurisdiction.



- 13.1 The supervisor requires that cedants have reinsurance and risk transfer strategies appropriate to the nature, scale and complexity of their business, and which are part of their wider underwriting and risk and capital management strategies. The supervisor also requires that cedants have systems and procedures for ensuring that such strategies are implemented and complied with, and that cedants have in place appropriate systems and controls over their risk transfer transactions.



- 13.2 The supervisor requires that cedants are transparent in their reinsurance arrangements and the associated risks, allowing the supervisor to understand the economic impact of reinsurance and other forms of risk transfer arrangements in place.



- 13.3 The supervisor takes into account the nature of supervision of reinsurers and other counterparties, including any supervisory recognition arrangements in place.



- 13.4 The question of binding documentation requirements for reinsurance contracts is a question of jurisdictional contract law. However, the supervisor requires that parties to reinsurance contracts promptly document the principal economic and coverage terms and conditions agreed upon by the parties and finalise the formal reinsurance contract in a timely fashion.



- 13.5 The supervisor assesses whether cedants control their liquidity position to take account of the structure of risk transfer contracts and likely payment patterns arising from these.



- 13.6 Where risk transfer to the capital markets is permitted, supervisors are able to understand the structure and operation of such arrangements and to assess issues which may arise

Case Study: TC Insurance Company of Costa Rica



- Relatively new company to Costa Rica
- Subsidiary of an American parent company
- This will be the first time that the supervisor has reviewed the reinsurance business activity
 - There are no previous concerns
 - Documentation has been provided to the supervisor in advance of the on-site review

Case Study: TC Insurance Company of Costa Rica



Bearing in mind the ICP 13 Principle Statements - there are 5 questions being asked:

1. This is the first time that you will have reviewed the Reinsurance business activity. What are the primary objectives of your review?
2. Who do you plan to interview and what are the questions that you will ask?
3. What documents do you expect to review? Why? What can be reviewed prior to your on-site visit.

Case Study: TC Insurance Company of Costa Rica



4. Having performed the financial analysis of TC CR – what are your initial expectations?
5. Having reviewed the Summary of Coverage (as provided by the company) – do you have any specific questions or concerns?



Thank you

Program Funded by:



Global Affairs Affaires mondiales
Canada Canada

