

## New regulations in the United Kingdom relating to reinsurers and cedents

Eric A. Pearce

Volume 52, Number 1, 1984

URI: <https://id.erudit.org/iderudit/1104360ar>

DOI: <https://doi.org/10.7202/1104360ar>

[See table of contents](#)

Publisher(s)

HEC Montréal

ISSN

0004-6027 (print)

2817-3465 (digital)

[Explore this journal](#)

Cite this document

Pearce, E. (1984). New regulations in the United Kingdom relating to reinsurers and cedents. *Assurances*, 52(1), 37–41. <https://doi.org/10.7202/1104360ar>

Article abstract

Même si jusqu'ici la politique du gouvernement a été d'intervenir le moins possible dans l'administration des entreprises d'assurance en Angleterre, l'attitude semble avoir été modifiée par les événements qui se sont produits dans le milieu de l'assurance depuis quelques années. Notre collaborateur, M. Eric A. Pearce, nous présente ici un aspect des dispositions qui ont été prises par le Parlement pour assurer un plus grand contrôle des affaires traitées en Grande-Bretagne. Très simple, son texte a pour objet de renseigner ceux qui suivent, dans les différents pays du monde, l'évolution et la surveillance des entreprises d'assurance ou de réassurance.

# New regulations in the United Kingdom relating to reinsurers and cedents

by

Eric A. Pearce, F.C.I.I.

*Même si jusqu'ici la politique du gouvernement a été d'intervenir le moins possible dans l'administration des entreprises d'assurance en Angleterre, l'attitude semble avoir été modifiée par les événements qui se sont produits dans le milieu de l'assurance depuis quelques années. Notre collaborateur, M. Eric A. Pearce, nous présente ici un aspect des dispositions qui ont été prises par le Parlement pour assurer un plus grand contrôle des affaires traitées en Grande-Bretagne. Très simple, son texte a pour objet de renseigner ceux qui suivent, dans les différents pays du monde, l'évolution et la surveillance des entreprises d'assurance ou de réassurance.*

37



In 1982, the Department of Trade gave notice to the UK insurance and reinsurance markets that it would be seeking to introduce new regulations under which UK authorized companies would be required to disclose additional information. The regulations affecting cedents were published on 5<sup>th</sup> January 1983 and those affecting reinsurers were published on 18<sup>th</sup> April 1983. As far as practicable, the two parts have been brought together in the present review. These brief notes are intended primarily for readers not directly involved in providing the information but who, nevertheless, wish to have some knowledge of the regulations as a matter of general interest. It is emphasized that for a company which is both an insurer and a reinsurer both parts of the regulations must be complied with to the extent that they apply to each function.

## **1. From whom is the information required?**

- All companies authorized to carry on general business insurance within the UK whether directly or by way of treaty reinsurance or both.

**2. What information is required ?**

From a cedent :

- a list of major reinsurers ;
- whether connected at any time during the financial year with such reinsurers ;
- reinsurance premium payable to each such major reinsurer ;
- amount of debt due from each major reinsurer.

From a reinsurer :

- list of major cedents ;
- whether connected at any time during the financial year with such cedents ;
- reinsurance premium received from each major cedent.

38

OR, in each case, a statement that there are no major cedents or reinsurers, as the case may require.

**3. What is a major cedent or reinsurer ?**

Major reinsurer is one to which the cedent :

- a) for proportional treaty reinsurance, pays not less than two percent of its gross premium receivable ;
- b) for other treaty reinsurance (i.e. non-proportional) pays not less than five percent of the total payable by the cedent in respect of all such reinsurance.

An important condition is that a reinsurer is a major reinsurer if the proportion of premium ceded to the reinsurer reaches the specified level in the financial year to which the statement applies or any of the immediately preceding five years, but not going back beyond 1982.

Major cedent is :

another insurance company (whether alone or with a connected company) from which in the financial year the reinsurer has accepted general business treaty reinsurance in respect of which the gross premium receivable by the reinsurer exceeds the greater of :

- a) five percent of the gross premium receivable by the reinsurer in respect of all his general business treaty reinsurance ;

b) two percent of the gross premium receivable by the reinsurer in respect of general business.

The test, namely a) and b) above, applies to the financial year in question or any of the three immediately preceding financial years of the reinsurer, but not going back beyond 1982.

**4. What is meant by “connected”?**

For a cedent :  
there are two forms of connection,

a) that which exists between a cedent and a reinsurer ;

b) that which exists between two or more of the cedent’s reinsurers, in which case the two or more reinsurers are to be considered as one for the purpose of establishing whether or not they are to be classified as a major reinsurer.

For a reinsurer :  
there are two forms of connection,

a) that which exists between a reinsurer and a major cedent ;

b) that which exists between two or more cedents, in which case the two or more are to be considered as one for the purpose of establishing whether or not the group is to be classified as a major cedent.

In both cases, as far as b) is concerned, there may be some doubt regarding the connection and the regulations recognize the concept of “*reasonable enquiry*”.

**5. What is the position of Lloyd’s, whether as a cedent or reinsurer?**

In general, the members of Lloyd’s are taken together and treated as a single company. A cedent should identify the amount of reinsurance placed with Lloyd’s, and a reinsurer should identify the amount of reinsurance ceded to it by Lloyd’s.

**6. How should other international exchanges (for example, New York) be dealt with ?**

For the cedent, all corporate bodies including those transacting business on international exchanges are to be dealt with as described

above. If a connection exists between such companies and other reinsurers, the connection should be duly taken into account.

For the reinsurer, reinsurance ceded by such underwriting groups or syndicates is to be dealt with on the basis of each member-company separately.

**7. What are the provisions relating to state-owned companies ?**

40 It is considered that there is no connection between various companies as a result of their being owned or controlled by the same non-UK government.



The regulations require the information as outlined above to be provided as part of the statements already being submitted annually to the Department of Trade by companies. The first occasion being, in most cases, for the year ending 31<sup>st</sup> December 1982.

In addition, reinsurers are required to analyze amounts receivable and payable relating to general business treaty reinsurance for the following categories and by year of inception :

- i) non-proportional treaty reinsurance business accepted ;
- ii) Marine and Aviation proportional treaty reinsurance business accepted ;
- iii) transport proportional treaty reinsurance business accepted (but only if such business is accounted for on a three-year basis).

These categories must be allocated to separate classes which must include :

- a) Casualty
- b) Property
- c) Aviation
- d) Marine.

A reinsurer may limit his returns to these four categories but has the option to include further categories provided not more than ten are used in all.

The information is to be shown on a bordereau which sets out in some detail for each category, year by year, amounts receivable and payable in the financial year in respect of treaties inception in each year before the financial year, during the financial year and the total. This bordereau is intended to provide a clear reading of the run-off of the business involved, from inception to final settlement.

All business which has not been dealt with as above, which in general would mean all other proportional business, has to be analyzed on a separate bordereau in less detail, broadly as in the past. For this there are only two mandatory categories, casualty and property.

---

### **Schaden Spiegel.** 25<sup>e</sup> année, 1982. Numéro 2.

Nous recevons un exemplaire en français de cette nouvelle étude des sinistres et de la prévention que la Munich Reinsurance Company of Canada nous fait parvenir. Comme les précédents, il mentionne un certain nombre de sinistres avec un dossier indiquant les dommages subis et la manière dont on aurait pu procéder pour les éviter dans un entrepôt frigorifique. D'autres études ont trait à un sinistre survenu à une rampe de chargement, à une grue mobile sur chenilles et qui tombe à la mer à la suite de la rupture d'une digue et des causes des sinistres. On trouve également dans ce numéro une excellente étude des Instituts de recherche d'Ismaning qui fêtent leur cinquantième anniversaire.