

**FROM:** Director, Worldwide Markets  
**LOCATION:** G12  
**EXTENSION:** 6677  
**DATE:** 4 May 2004  
**REFERENCE:** Y3308  
**SUBJECT:** CANADIAN LIFE REINSURANCE BUSINESS  
**SUBJECT AREA(S):**  
**ATTACHMENTS:** None  
**ACTION POINTS:** **Underwriters and brokers to note**  
**DEADLINE:** **Immediate**

The purpose of this market bulletin is to explain how Lloyd's underwriters may write reinsurance of Canadian life business.

Under Canadian regulations, underwriters may only write reinsurance of direct classes of business for which Lloyd's holds licences. Since Lloyd's is not licensed to underwrite life insurance, underwriters should not be able to write life reinsurance business. However, following consultation with the Office of the Superintendent of Financial Institutions Canada, we have been advised that providing the contract is made and the policy delivered outside of Canada (for example, by a Lloyd's broker being approached by a cedant and then undertaking the negotiations with, and receiving the policy from, underwriters in London), it will be considered to be reinsurance with a non-registered reinsurer and exempt from Canadian regulation.

In these circumstances only, Lloyd's life syndicates are able to reinsure Canadian life insurers. Lloyd's underwriters and brokers are reminded, however, that solicitation for life reinsurance business in Canada is strictly prohibited. Other relevant issues to consider:

- a) **Reporting** - Life reinsurance business written in the circumstances described above is not regulated business and must be coded as "exempt".
- b) **How can a Canadian cedant take credit?** - Since this business is not regulated, no funds will be deposited in Canada. Canadian life insurers ceding business to Lloyd's should be advised therefore, that if they wish to take credit for such

business in their financial filing, collateral will be needed from the syndicates concerned, usually in the form of a letter of credit.

- c) **Taxation** - Please refer to the taxation website on [www.lloyds.com](http://www.lloyds.com) for the application of tax.

If you have any queries regarding Lloyd's trading status in Canada, please contact:

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This bulletin has been sent to all active underwriters, the compliance officer of each managing agent, Lloyd's Brokers and the Lloyd's Market Association.

Julian James

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