## Appendix – Error and Omission and Late Reported Notifications template

An "Error and Omission" (E & O) is an unintentional error, omission, oversight, delay, or misinterpretation in the administration of the Reinsurance Agreement (Treaty) by **either party**. The intent of the E & O provision in the treaty is to make both parties whole as if the unintentional error never occurred and not be a remedy for poor recordkeeping. E & O’s are often the result of late reported transactions such as new business, terminations, etc. Limiting the number of E & O’s is critical to effectively manage the risk for the ceding company and the reinsurer. Therefore it is important to promptly report any E & O’s and identify/remedy the cause to prevent them from occurring again.

**NOTE:** E & O’s involving facultative cases typically are referenced specifically in the treaty and are assessed on a case by case basis.

When an E & O or late reported item is identified it is best to gather the facts and be prepared to communicate the details of the error to the impacted party. Items to consider include:

1. When an E & O is identified review the E & O or Oversight Provision in the Treaty for the specific terms.
2. Research how the error was found, when did it occur and what was the cause of it to ascertain the number of active and inactive policies affected. Consider the impact to past reinsurance premiums paid or due for the affected policies. If this results in a material amount of premium due from either party, estimated premiums (provisions) may need to be established and considered in the company’s financials.
3. Review all prior claims associated with the impacted policies to verify if current pending or past paid claims require adjustments for the amount payable. Again depending on the materiality of the claim amounts, provisions may need to be established for the adjusted claim amounts payable.
4. Depending on the cause of the error (for example, chronic poor recordkeeping) consider completing an inforce verification of the reinsured policies to identify any other discrepancies. It is best to resolve all known issues at one time.

When the materiality and details of the E & O is secured notify the other party promptly by including an electronic list (i.e., csv. format) of the impacted policies, the cause of the E & O and the resulting potential financial impact involving the active and inactive policies and/or claims. If the time required to complete this step is lengthy make sure to keep either party informed and available for questions/feedback. If possible try to remedy the cause of the error as soon as it is identified to prevent future occurrences. Approval and/or acceptance of the error(s) cannot be assumed and is governed by the terms of the treaty. It is best not to report any adjustments from an E & O in the monthly billing statement unless it has been mutually agreed upon by the ceding company and reinsurer.

## Appendix – Data Clean Up Notifications template

The basis of managing risk is accurate data. When the data is not accurate efforts should be taken to “scrub” the data. Inaccurate data can be revealed as part of an Error & Omission claim, routine or periodic audits, conversion to a new system or an inforce reconciliation. Communicating with the impacted partners as soon possible is important.

Host a dialog with the business partner(s) before the clean-up to reach agreement on the data needing correction, the effective date of the correction and the electronic file format/data fields of the resulting corrections. Be prepared to provide a “before” and “after” electronic file (i.e., csv. format) illustrating the corrections and resulting changes in the 1) reinsured amount, and 2) premium amount due (refund) in a format that facilitates the review process by the business partner. Reach agreement with your business partner on the effective date of the cleanup. Ensure that the “after” data is reported in the regular reporting to ensure it is updated in the user systems. If the history is not available to make the correction retroactive, an estimate may be necessary depending on the monetary impact.

## Appendix – Changes in Billing Method template

The terms of the treaty specifies the billing and reporting method agreed upon. One method is for the reinsurer to administer the reinsurance and bill the ceding company for the reinsurance premiums due. The other method involves the ceding company performing the reinsurance administration (refer to as self-administered) and calculating/reporting the amount due to the reinsurer and in agreed upon format. If the ceding company desires to change the billing method a request must be submitted to the other party with sufficient advanced notice (60-90 days) prior to the effective date of the change. The change must be mutually agreed upon by the ceding and reinsurer by means of an amendment to the treaty.

The initial request to change the billing method should include the following items as well as an in force verification to ensure that the data is accurate:

* Requests must be submitted in writing with the company identifiers and treaty numbers specified.
* Effective date of the change must be provided.
* A client contact for questions must be included.
* Sample statement file layout provided (if they are going to self-administration).

***NOTE:*** *The synchronization of the inforce and transactions is very important and will avoid reconciliation problems later.* *By running the billing in parallel before the change the reinsurer and ceding can compare results and thereby reduce the number of corrections after the change.*

After approval, the treaties will be amended to reflect the agreed upon change in billing method, reporting requirements and timing.