

Undertaking # 2

MPI to provide what's included in the "Inter-company Recovery" line.

RESPONSE:

When losses occur in a given treaty year, the amount of losses recoverable above the Corporation's retention are first applied to aggregate deductible (if such a deductible exists). The aggregate deductible was initially allocated to the underlying line of business specific to the individual losses in the order they occurred. This resulted in SRE ceding less claims than would be reflective of its overall proportion of corporate losses or premiums. The inter-company recovery amount allocates the aggregate reinsurance deductibles to each line of business in proportion to premium base.

The Corporation has not had aggregate deductible on its reinsurance treaties since 2005.