This is a sample of our CP-341 detailed study manual. This sample includes the introduction section of the detailed study manual and several initial pages of Section A to give you a sense of the format for each section of the course. The full version covers the entire syllabus and is included within the course.

Each portion of the detailed study manual is available in PDF with a clickable table of contents. Each reading (and sub-chapters if applicable) are also bookmarked in the PDF for ease of navigation in your favorite desktop, tablet, or smartphone PDF viewer.

Though not shown in the sample material, we also offer a highly condensed version of the detailed study manual (the “condensed outline” mentioned in the product description). The condensed outline is in the same format as the detailed study manual.

If you have additional questions about the detailed study manual or any aspect of the exam, please contact us!

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CP-341

Detailed Study Manual

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About This Study Manual

This detailed study manual is just one component of our CP-341 course, which also includes comprehensive video lessons and handouts for all the syllabus material, practice problems, commentary on previous SOA exams, flashcards, and much more.

This study manual is organized in exactly the same order as the online course, which is not necessarily the same order as the official syllabus. The layout of the course reflects what we believe is the most logical order for learning the material start to finish:

A. Types of Reinsurance Arrangements and Methods. This section begins with several chapters from the Tiller textbook, primarily focusing on traditional reinsurance arrangements. The latter half introduces more recent or emerging reinsurance arrangements in the industry, such as private equity and offshore reinsurance.

B. Risk Transfer and Treaty Considerations. This section continues with chapters from the Tiller book, specifically examining reinsurance treaties and the definition and consideration of risk transfer. It also explores other company-level risk transfer mechanisms, such as captives and sidecars.

C. Key Accounting and Regulatory Considerations. This section focuses on accounting and regulation, organized broadly by jurisdiction. The first half examines U.S. Statutory, GAAP, and other U.S.-specific regulations. The second half shifts focus to Canadian and other international accounting and regulation topics.

D. Reinsurance Administration and Management. The final section addresses reinsurance administration and examines the industry impact of collateralized reinsurance structures.

We recommend downloading each section's detailed study manual before going through those lessons in the TIA Study platform—especially if you are using the Today view—so that you have the detailed study manual to read/reference as you go through the scheduled lessons.

This study manual is intended to help you get through the source material faster than if you had no study manual. Some readings are very difficult to absorb on the first attempt. The study manual will help you pick out important information more quickly.

How to Use This Study Manual With the Online Course

This detailed study manual will provide you with a detailed foundation and reference guide for the rest of the online course. It's the most detailed and verbose outline we provide with the course.

Unlike condensed outlines and flashcards, which are design to aid memorization, this detailed study manual is designed with readability in mind. You will not be able to memorize everything in this guide, nor should you.

As we explain in the Introduction section of the online course, ideally you'll have 3–4 months to prepare for the exam. You'll want to spend the first half of that time reading as much as you can and trying to learn concepts. Don't worry about memorization until the last 1–2 months before the exam.

Each summary in this detailed study manual starts with a section called "Overview of This Reading." These overviews show you the contents and most testable topics in each chapter at a glance. I recommend reviewing these sections before and after you tackle the readings on your own.

After going through the detailed study manual for a given reading, it's a good idea to watch the accompanying video lesson, which will further reinforce the big picture for that reading and provide illustrative examples to reinforce quantitative concepts.

Some people, however, prefer to watch the video lessons first. There's no right or wrong way to use the detailed study manual with the rest of the course as long as you are staying on schedule and learning key concepts. Feel free to experiment and change things up as you go.

Good Luck!

It's critically important to keep a couple of things in mind as you go through the material:

1. Keep moving forward. Don't get bogged down!
2. Remember that you are not trying to become an expert in the material. You are trying to identify and master *testable* material sufficiently to pass the exam.

If you study regularly and put in the time, you will be amazed at how much material you can pack into your head by exam day—*especially if you prioritize concept learning over memorization in the early stages of studying*. That said, a good deal of memorization is needed. Use the condensed lesson handouts and flashcards as a guide for that.

And remember one of the most important features of our online course is customer support. Our course forum is a great place to post questions about any of the material because it gives other students a chance to answer and see answers. You can also email me anytime with any questions.

Your Instructors,

Marty Broser, FSA & J. Eddie Smith, IV, FSA

CP-341 Section A

Types of Reinsurance Arrangements and Methods

Marty Broser, FSA & J. Eddie Smith, IV, FSA

Nov 2025 / Mar 2026 / Jul 2026

Section A

Section A.1

Traditional Life and Annuity Reinsurance Arrangements

Life, Health & Annuity Reinsurance, 4th ed.

Source Author: Tiller and Tiller (2015)

Ch. 1: Basic Terms and Concepts

Overview of This Reading

This first chapter defines basic reinsurance terminology, outlines major classifications of reinsurance, and briefly describes ways that reinsurance can be used to transfer risk and achieve business objectives

Future chapters of the book go into significantly more detail on many of these topics in this chapter, so we recommend just treating this chapter is a high-level overview

Key topics for the exam include:

- Basic reinsurance terminology
- Major classifications of reinsurance
- Uses of reinsurance
- Classifications of reinsurers
- Effects of reinsurance on company operations and regulation

Basic Terms Defined

- **Reinsurance**: Insurance purchased by an insurer some or all risks on policies it issued
  - Must involve risk transfer or else it is a financing transaction, not reinsurance
- **Ceding Company**: An insurer that sold a policy to an individual
  - Aka the direct insurer, issuing company, reinsured, or cedant
  - Transfers risk to the reinsurer
- **Reinsurer**: An insurer that accepts risk from the ceding company
  - Aka the reinsuring company, accepting company, or assuming company
  - Agrees to indemnify the ceding company against part or all of a potential loss
- **Reinsurance Treaty:** The legal agreement between the ceding company and the reinsurer
- **Retention** or **retention limit**: The amount of risk the ceding company retains (does not cede)[1]
  - Often defined at the individual insured level
- **Retrocessionaire**: A reinsurer that accepts risk from another reinsurer

[1] This item is not defined in the book in this section, but it is used frequently in chapter and is worth defining up front!

- **Cession**: The portion of risk on a policy that is transferred to the reinsurer
- **Retrocession**: The portion of risk transferred from a reinsurer to a retrocessionaire

Under reinsurance arrangements, the risks transferred may include:

- Mortality and morbidity
- Lapse and surrender
- Expense (acquisition costs like commissions, etc.)
- Performance of invested assets, including default

Some Background on Reinsurance

A Very Brief History of Reinsurance

The book provides a brief history of reinsurance, which we've summarized and organized into major eras below. It's not likely you'll see a material question written on this history, but it's interesting to review nonetheless.

- Very early examples of risk management:
  - Chinese merchants placed goods on multiple ships to spread risk (before 3000 BCE)
  - Babylonian maritime loans (as early as 3000 BCE)
  - Hammurabi Code expanded on the Babylonian system (around 1800 BCE)
  - Ancient Greeks and Romans included a risk fee on maritime loans
- Medieval times:
  - The Law Merchant governed trade and developed arbitration procedures in Medieval times
  - Earliest known insurance contract: covered a shipment of alum from Genoa to Burges in Flanders (1298)
  - First documented reinsurance contract: reinsured a portion of a trip from Genoa to Sluis near Burges (1370)
  - The term "reinsurance" was first used in Florence in 1457
- Early modern period through the 20th century:
  - Marine Act of 1746 and Life Insurance Act of 1774 limited abuses by strengthening requirements for insurable interest (England)
  - Role of fires: Great Fire of London (1666) spurred the development of fire insurance; Cologne Reinsurance and Swiss Re were founded after major fires in the 19th century
  - Before WWI, German reinsurers dominated the world market (1/3 of premium), but the war destroyed their market

- US reinsurance market developed slowly due to legislation prohibiting credit for reinsurance ceded to non-admitted companies
- First US-domiciled life reinsurer: American Central Life Insurance Company (1904)
- Post-WWII, more companies entered the market
- The number of reinsurers active in the US and Canada has shrunk dramatically since the late 1990s

Today, reinsurance is a vital, widely used service in the life and health markets, with emerging use with annuity products

The book quotes some additional stats about the "current" reinsurance market (circa early 21st century), but these are pretty far out of date at this point and not important for exam purposes.

Classifications of Reinsurance and Additional Terminology

This section provides a nice outline of the key dimensions along which reinsurance can be classified. Keep in mind that these are generally not mutually exclusive. Future chapters of the book will go into more detail on many of these classifications as well.

- **Cede/assume/retrocede** – defines the risk transfer between parties
  - Cede: Ceding company transfers risk to reinsurer
  - Assume: Reinsurer accepts risk from ceding company
  - Retrocede: Reinsurer transfers risk to retrocessionaire
- **New issues vs. currently inforce policies**
  - Recurring reinsurance: agreements on new policies to be issued in the future
  - Portfolio reinsurance: agreements to cede significant portions of inforce policies
    - Aka block reinsurance
- **Indemnity vs. assumption**
  - Indemnity: The reinsurer indemnifies the ceding company for losses incurred
    - Most common type of reinsurance
    - Reinsurer reimburses the ceding company for its share of claims
    - Reinsurer has no contractual relationship with policyholders
    - Ceding company must continue paying full claims to policyholder even if reinsurer defaults
    - Recapture provisions: common but not mandatory
      - Allows ceding company to regain some or all ceded risks in the future
  - Assumption: The reinsurer assumes the ceding company's contractual relationship with the policyholder

    * The reinsurer ("assuming company") becomes directly liable to the policyholder
    * The ceding company ("transferring company") is no longer liable to the policyholder
    * Novation – replacement of the transferring company with the assuming company in the policyholders' contract
    * Policyholders must agree to the novation and receive assumption certificates

- **Proportional vs. non-proportional reinsurance**
  - **Proportional Reinsurance** (most common for ILA)
    * Reinsurer's responsibility is defined by a formula at cession based pm a benefit that can be known in advance
      · E.g. reinsurer assumes 60% of the death benefit on a life insurance policy
    * Common proportional methods:
      · Coinsurance: Proportional sharing of risks and policy terms[2]
      · Modified Coinsurance (Modco): like coinsurance, but the ceding company retains the policy reserve; the reinsurer reimburses its share of reserve increases net of investment income on the ceding company's retained assets
      · Yearly Renewable Term (YRT): Transfers only mortality/morbidity risk, with premiums based on the NAR
  - **Non-proportional Reinsurance** (most common for P&C)
    * Reinsurer's liability depends on claims incurred
    * More common for unpredictable claims
    * Common non-proportional methods:
      · Stop Loss: Covers losses exceeding a specified amount (attachment point)
      · Catastrophe Coverage: Protects against high-severity, low-frequency events
- **Automatic vs. facultative reinsurance**
  - **Automatic Reinsurance** (aka treaty reinsurance with P&C)
    * Risks exceeding retention limits that meet underwriting criteria are automatically ceded to the reinsurer
    * The ceding company must cede, and the reinsurer must accept each risk
  - **Facultative Reinsurance**
    * The ceding company may choose to cede or not
    * The reinsurer must approve each individual risk before accepting

[2] Aka "original terms" or "same form" reinsurance.

* Variations:
  - Conditional automatic: reinsurer provides an underwriting service to the ceding company
  - Facultative obligatory: reinsurer can decline a risk only if it hits full retention on the individual involved

- **Excess, quota share, and first dollar quota share**
  - Excess treaty: Covers risks based on a scheduled set of retention limits
  - Quota share reinsurance: A fixed percentage of each risk is ceded
    * Typically applies to the "first dollar" of coverage
    * Can be used in combination with excess risk management
      - The ceding company may cede the excess over a stated retention limit on a quota share basis
      - *Example: the ceding company has a retention limit of 100K on a 500K DB policy and cedes 60% of the excess using quota share. If the insured dies, the ceding company pays 100K + 0.40(400K) = 260K, and the reinsurer pays 0.60(400K) = 240K.*
- **Experience Rated vs. Non-Experience Rated**
  - Experience rated: The ceding company shares in the reinsurer's profits through an experience refund (aka profit commission)
    * Has higher reinsurance premiums than non-experience rated treaties[3]
  - Non-experience treaties are more common today
- **Traditional vs. Financial Reinsurance**
  - Traditional reinsurance: Primary purpose is risk transfer
  - Financial reinsurance: Primary purpose is to achieve a specific business objective with risk transfer being secondary
    * E.g. increasing surplus, reducing taxes, acquiring blocks
  - The distinctions may not be immediately obvious (requires close examination of risks transferred)

Uses of Reinsurance

Reinsurance is a very important tool for risk management as well as business/financial strategy

Risk Transfer

[3] Conceptually, this is for the same reason as a participating policy would charge higher premiums than a non-participating policy.

- **Mortality and morbidity risk transfer**
  - Oldest and most common use of reinsurance
  - Life: Excess and quota share (QS) treaties are common
    - Retention limit is key factor in limiting insolvency risk
  - Deferred annuities: usually have a % of the fund reinsured
  - Payout annuities: reinsurance is rare, but flat retention or QS could be used
- **Lapse and surrender risk transfer**
  - Products/features that can increase lapse/surrender risk:
    - Products with significant first-year surplus strain (early lapses are costly)
    - Products with sharply increasing premiums (risk of lapse increases)
    - Level premiums and increasing claim costs (lapse-supported)
    - High policy loan activity (as loan $\rightarrow$ cash value, probability of lapse $\uparrow$)
  - Secondary impacts of high lapses:
    - Deterioration of future mortality or morbidity experience (anti-selection)
    - Disintermediation risk (high surrenders when asset market values are low)
- **Investment risk transfer**
  - Benefits to the ceding company:
    - Leverage the reinsurer's investment capabilities/access
    - Transfer investment risk and limit asset concentrations
  - Common with coinsurance and modco treaties
  - Became more popular with the rise of interest-sensitive products in the 1980s
  - Later insolvencies led to increased scrutiny from regulators and specific risk transfer requirements

Use of Reinsurance for Strategic/Business Objectives

- **New business financing**
  - Can help finance the acquisition of new business, relieving surplus strain
  - Accomplished through a larger initial expense allowance
- **Access to underwriting assistance from reinsurer**
  - May provide underwriting manuals, training, and audit services
  - Can review difficult cases and offer to assume more of the risk
- **Entering new markets**

  - Reinsurers can offer a partnership-like arrangement to lend expertise for new business lines, product development, local regulation, etc.
  - Can offer use of admin system for a fee
- **Mergers and acquisitions**
  - Reinsurance can be used to transfer blocks or sell/purchase entire companies
  - Assumption is typically used for permanent sales, but indemnity is sometimes preferred
- **Divesting a product line**
  - Reinsurance can be used to exit product lines or geographic areas
  - Can also be used to reallocate capital, simplify administration, or reduce overhead
- **Optimizing administrative functions**
  - An insurer with excess admin capacity may seek to assume reinsurance from another insurer
  - Other insurers might cede business to a reinsurer to reduce admin burden permanently or temporarily
- **Increasing reinsurer's returns**
  - Reinsurers assume business to make a profit and earn a return on otherwise idle capital
- **Increasing reinsurer's inforce**
  - Reinsurer benefits: use under-utilized admin capacity, spread overhead over more policies, or augment direct sales
- **Fronting**
  - A direct insurer issues policies at the request of another insurer, then reinsures substantially all risk to that company
  - Reinsurer typically handles administration
  - Common in P&C and A&H business; rare for ILA
- **Advantages to the ceding company of ceding large portions of new business**
  - Reinsurance has a low marginal cost because of the reinsurer's lower expenses or different assumptions
    - A smaller profit is better than no profit at all
  - Allows ceding company to write larger policies that might otherwise go to competitors
  - Underwriters gain valuable experience from the reinsurer

  - Recapture provisions allow the company to increase future profits by taking back some/all ceded business

- **Producer-owned reinsurance companies (PORCs)**[4]
  - A substantial volume of reinsurance is ceded to PORCs
  - PORCs allow high-producing agent groups to participate in the earnings of the business written
  - If the PORC is not profitable, the group loses some/all of its investment
  - Increases agent loyalty and rewards high production
  - Some are captive insurance companies[5]
    * Non-insurance corporations may form captive insurers to insure their employees

- **Reasons a company may want to use reinsurance to increase its surplus**
  - "Overly successful" sales have resulted in high acquisition costs
  - Meet surplus requirements in new jurisdiction
  - Restore surplus after poor mortality, morbidity, or surrender experience
  - Meet risk based capital (RBC) or other statutory requirements
  - Improve or maintain its rating
  - Meet other objectives: policyholder dividends, shareholder dividends, or debt service

- **Raising capital and supporting debt obligations**
  - Reinsurance can help secure debt by reducing earnings volatility, improving ratings and lender confidence
  - A strong reinsurance program signals effective risk management
  - Reinsurance may facilitate capital raising for insurers, including through surplus notes (mutuals) or preferred stock
  - Surplus can be increased by ceding blocks of inforce business (selling the PV of future profits)
    * Caveat: accounting rules limit recognition of discounted future profits
  - Securitizations and special purpose vehicles (SPVs) can also be used to fund excess reserves (discussed more later)

[4] This topic reappears on p. 22, so we've blended the information there into the information here.
[5] Captives are interestingly defined within the PORC section on p. 22 in a way that makes them sound like they are a subset of PORCs. While that is true in some contexts—and may have been a primary example when this book was published over 10 years ago—the topic of captives is much, much broader and complex than just PORCs. While those details are not covered in this chapter, you may see captives mentioned elsewhere on the syllabus.

- **Tax planning (historical use cases in the US)**[6]
  - Preserve life insurance company status by ceding life or accepting health business
  - Use tax loss carry-forwards by increasing statutory earnings through ceding insurance
  - Reduce taxable income by assuming business, potentially qualifying as a small company for tax purposes
- **Limiting catastrophic and total claims**
  - Catastrophic reinsurance covers large losses from single events (e.g., plane crash, fire)
    * Usually above a set limit and subject to maximums
    * Coverage typically excludes epidemics, wars, and concentrated groups (e.g., airline crews)
  - Stop loss reinsurance reimburses claims exceeding a specified threshold (attachment point)
    * Protects against unusually high total annual claims, up to a defined maximum
- **Demutualizations**
  - Demutualization: when a mutual life insurer becomes stockholder-owned
  - Often, a closed block is created for inforce participating policies
  - Reinsurance can be used to protect the capital or dividends for closed block policyholders
- **Enterprise Risk Management (ERM)**
  - Examples of how reinsurance can support ERM objectives:
    * Mitigation of earnings surprises
    * Optimization of risk by developing orthogonal (independent) risk profiles
    * Reduced risk concentrations
    * Lower cost, more efficient capital solution
    * Reduced capital required for catastrophes or claims volatility
    * Improve policyholder security
    * Increase available options for capital/debt management and tax planning
    * Increase investor confidence and company value by avoiding overcapitalization or broader earning swings

[6] These use cases are fairly technical and not elaborated on in the source reading. The carry-forward and small company rules mentioned also underwent substantial reform in 2018 and are, for the most part, now obsolete.

- Regulatory ERM requirements
  * Requirements for federally registered companies in Canada:
    - Develop an ERM Framework, which must include a Risk Appetite Framework (statement, limits, roles, and responsibilities)
    - Develop a Reinsurance Risk Management Policy
    - Assess all reinsurance arrangements, including counterparty risk
    - ORSA reporting for all insurers
  * US regulators are behind Canadian regulators
    - Requires ORSA reporting but only for larger companies

Classifications of Reinsurers

- **Professional reinsurer (aka commercial reinsurer)**
  - Actively seeks to assume reinsurance, either as a major line of business or their only line
  - Distinguishing feature: sales staff dedicated to reinsurance activities, sometimes interacting with brokers or intermediaries
  - Most offer the full range of reinsurance plans and services for traditional and financial needs
  - Some specialize in a single product (e.g., annuities) or facultative/financial reinsurance
- **Occasional reinsurer**
  - Does not actively seek recurring reinsurance in the general market
  - Participates in certain reinsurance pools or acquires blocks of business
  - Historically, some reinsurers entered reciprocity arrangements with select clients in their retrocession pool (less common today)
- **Retrocessionaire**
  - Companies that act only as professional retrocessionaires, serving professional reinsurers
  - Assume risks from professional reinsurers at competitive rates
  - Underwriting is very important due to involvement in a large portion of jumbo policies
  - Most retrocessions today go to professional retrocessionaires or a few very large companies with large retentions
- **Pool participant**

  - In the early 1900s before modern reinsurance, insurers ceded risks to a pool and assumed a proportional share of pool risks
    * Few exist today since commercial reinsurance is widely available
  - Two large government-sponsored arrangements pools: FEGLI and SGLI[7]
    * Offer very low exposure to risk and require little administrative effort
    * Main use: spread profits, not risks (may satisfy political rather than economic needs)

- **Joint venture reinsurer**
  - When an experienced company partners with a less experienced insurer to help develop a product, in exchange for a share of the risk
  - Common for new or higher-risk products
- **Captive or producer-owned reinsurer**
  - Formed and controlled by a separate entity to assume business from a specific source, often affiliated or related
  - Used in areas like credit insurance, or in life insurance to allow agents to share in profitability and encourage higher quality business/loyalty
  - Non-insurance corporations may form captives to insure their employees
- **Special Purpose Vehicles (SPVs)**
  - SPVs are a form of captive created to raise capital and mitigate risks, primarily through securitization
  - Securitization involves selling defined streams of cash flows, such as premiums or claims payments
  - A major application of SPVs has been funding "redundant" XXX and AXXX reserves
- **Inforce (block) specialists**
  - Inforce specialists acquire closed blocks of policies or inactive insurers, focusing on efficient integration and administration
  - Main objective: optimize profits from policy runoff
  - Could involve indemnity or assumption reinsurance and may involve stock transactions for entire companies
- **Why US and Canadian insurers sometimes seek international reinsurance**
  - Some specialty coverages (stop loss and catastrophe) are more readily available internationally
  - Transactions between affiliates of a global corporation can be efficient and beneficial

[7] Federal Employees' Group Life Insurance (FEGLI) and Servicemen's Group Life Insurance (SGLI).

  - Multinational companies may reinsure internationally for business purposes
  - US companies may be able to improve surplus or finance new business using less stringent reserve requirements
  - Tax purposes (less attractive today)

- **Branch reinsurer**
  - A way for foreign companies to operate in the U.S.
    * Referred to as **alien companies** in the U.S. if unlicensed domestically, or **foreign companies** if domiciled outside Canada
  - The alien company establishes and licenses a branch in a selected state
  - The branch must meet the state's statutory regulation and maintain assets equal in value to the reserves to qualify as a **certified reinsurer** or **accredited reinsurer** in the U.S.

- **Affiliate reinsurer**
  - Reinsurance among affiliated insurers is common
  - Frequently financially motivated, including surplus, capital, earnings, or tax effects

- **Fronting company**
  - Issues policies on behalf of another insurer that reinsures all or most policy liabilities
  - Used when the reinsurer is not licensed in a jurisdiction or needs a higher financial rating

- **Syndicates**
  - Syndicates are groups of professional reinsurers, mainly in North America and Europe
  - Provide specialty reinsurance (e.g., accidental death, health, stop loss, catastrophe)
  - Have dedicated teams for marketing, underwriting, administration, and claims

Effects of Reinsurance on Company Operations and Regulation

- **Regulation and Compliance**
  - Reinsurance is generally less regulated than individual insurance because insurers are more sophisticated than policyholders
  - In most US states and Canada, reinsurance treaties do not need approval of the insurance department
  - **U.S. Regulatory Focus:** risk transfer and the ceding company's ability to collect reinsurance obligations when due
  - **U.S. regulation is primarily at the state level but also includes federal regulation**

        - State-level regulation is cumbersome because each state has its own regulations that can vary despite the NAIC's efforts to increase uniformity
        - Dodd-Frank Act (2011) established the Federal Insurance Office (FIO) to collect data, identify risky insurers, and represent the federal government internationally
        - The Nonadmitted and Reinsurance Reform Act (NRRA) prohibits states from denying credit for reinsurance if the ceding company's domiciliary state is NAIC-accredited
    - **Canadian Regulation:** primarily at the federal level (OSFI)
- **Accounting**
    - Reinsurance affects US Statutory, US GAAP, and US tax financial statements
        - Key stat consideration: whether the ceding company can take credit for reinsurance ceded
    - In Canada, statutory, cash, and GAAP accounting regimes are essentially the same
- **ERM**
    - As noted earlier, reinsurance affects ERM
    - The CRO (or equivalent) is responsible for the ERM process and delivering the report to the Board
- **The Appointed Actuary (AA) and Actuarial Opinion (AO)**
    - The AA must review all reinsurance treaties to ensure compliance and must carefully evaluate all reinsurance reserves, reserve credits, and related items
    - Administration Differences (U.S. vs. Canada)
        - US: it is acceptable for a reinsurer's AA to accept an AO from the ceding company's actuary, or to use a model
        - Canada: AA is required to perform a seriatim valuation, computing reserves on each risk separately
        - Difference in assumptions:
            - US: actuaries may use experience from similar products and companies for cash flow testing assumptions
            - Canada: actuaries must use their company's experience on the block
- **Pricing, underwriting, and other administrative issues**
    - **Pricing and Profitability**
        - Cost of reinsurance affects overall profitability and must be reflected in pricing
        - Actuaries and CFO should periodically evaluate the reinsurance program, including retention limit study

- **Underwriting**
  - The ceding company's facultative reinsurance program will influence its underwriting (and vice versa)
  - The ceding company underwriter may have daily contact with the reinsurer's underwriter, leading to longstanding relationships
- **Importance of proper administration**
  - Ensures policies to be reinsured are actually ceded, coverage is maintained, and payments/liabilities are handled correctly
  - Self-administration or self-billed programs are common, often involving electronic exchange of information