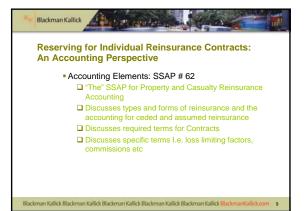




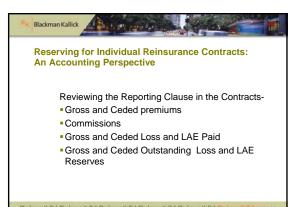
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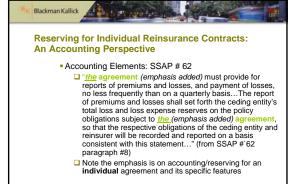
Reserving for Individual Reinsurance Contracts:
An Accounting Perspective

Forms of Reinsurance
Treaty:classes of risks that the reinsurer underwrites in advance and these risks of the ceding company are automatically reinsured
Facultative:Individual risk that reinsurer has the power to accept or reject









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Reserving for Individual Reinsurance Contracts: An Accounting Perspective - Accounting Elements: SSAP # 62 - Commutation of reinsurance agreement or part of one "results in complete and final settlement and discharge of all, or the commuted portion thereof present and future obligations between the parties arising out of the reinsurance agreement." (per SSAP #62 paragraph # 60) - Ceding company "gets rid" of reinsurance recoverable recorded against the loss reserve and records the cash received as a negative paid loss.(Per SSAP #62 Paragraph # 61)

Reserving for Individual Reinsurance Contracts:
An Accounting Perspective

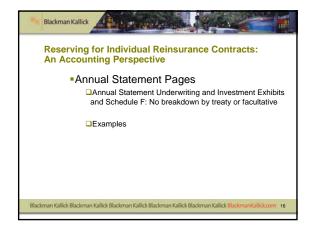
- Accounting Elements: SSAP # 62

- Net gain /loss to be reported in underwriting income in the statement of income

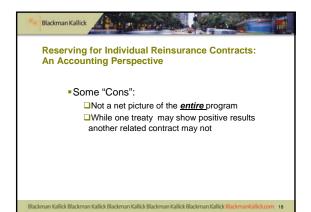
- Reinsurer "eliminates loss reserve carried at ultimate cost for cash payout calculated at present value", per SSAP # 62 paragraph #62

- Commutations: Many are done per individual contract (SSAP #62 paragraph # 60)-Others done by combining some or all contracts to a reinsurer

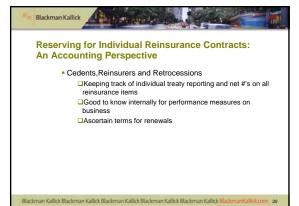


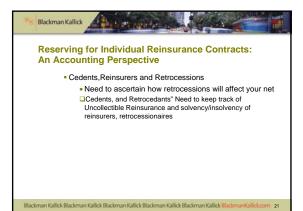






Reserving for Individual Reinsurance Contracts: An Accounting Perspective Reinsurers and Additional Case Reserves: "ACR's" Reinsurers not the first to know about a claim Time lags in reporting eg: a quarter in arrears-may not provide an accurate picture Reinsurers may have more difficulty in reserving Systems of cedents vary, and capturing true premium and loss data by line may be a difficult How does a ceding company allocate/code the premium/loss to the correct line -Need to ascertain the process Setting an ACR



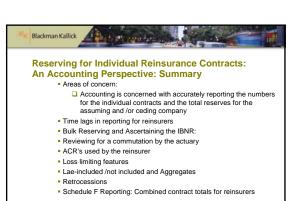


Reserving for Individual Reinsurance Contracts: An Accounting Perspective Reinsurance Programs Looking at the sum of parts(treaties and facultative certificates) and the whole-(the net reserve) Blackman Kallick Blackman Kall

Reserving for Individual Reinsurance Contracts:
An Accounting Perspective

Reserving for Reinsurance programs:
Looking at entire program rather than individual reinsurance contract: EG: Property per risk treaty, aggregate excess, and Catastrophe treaty together to ascertain the true net reserve

GS
Property Program:
SS
Property XOL, Per risk Excess, Aggregate Excess
Three Layer Catastrophe Cover:
Reserving for the net
However, still track/account for the reserves for each contract



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