

RETROACTIVE REINSURANCE TRANSACTIONS  
IN THE 2000 ANNUAL STATEMENT (NUF POOL)

Ceded Runoff Treaty (30 For 60 contracts 1999 & 2000)

- These contracts transfer both components of insurance risk (confirmed with Jay Morrow) and cover liabilities that occurred prior to the effective date.
- Contracts meeting the criteria above must follow retroactive reinsurance accounting (per chapter 22 for current guidance and SSAP 62 for codification guidance – guidance is identical under both).
- Under retroactive accounting, the contracts are to be excluded from loss reserves and underwriting results.
- The loss reserves ceded out will be shown as a contra-liability write-in line (retro reinsurance reserves ceded) on page 3 of the A/S – (dr \$60 million each year, total dr \$120 million).
- The income benefit taken immediately will be shown as a miscellaneous income write-in (retro reinsurance gain) on page 4 of the A/S – (cr \$30 million each year, total cr \$60 million).
- The remaining entry is to reduce cash (cr \$30 million each year, total cr \$60 million).
- The income benefit that is taken into surplus (net of tax) is restricted surplus and is excluded from unassigned surplus. This amount will be shown as a special surplus write-in line on page 3 of the A/S.
- A retroactive reinsurance footnote (#19) is required showing reserves transferred, consideration paid, amounts recovered and special surplus reserves for all assumed and ceded retro reinsurance contracts. The reinsurers involved are to be listed along with the amount of retroactive reinsurance reserves outstanding at the balance sheet date (1999 contract is Stockton Reinsurance Ltd., 2000 is Western General Insurance Ltd. - \$60 million each).
- In the 1999 A/S, we accounted for year 1 of the treaty as deposit accounting, not retroactive accounting; therefore, the 2000 A/S reflects two years of retroactive accounting.

**RETROACTIVE REINSURANCE TRANSACTIONS  
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AIOUA contract – DBG at 33% (9.9 For 19.8 contract 1999 & 2000)

- This contract transfers both components of insurance risk (confirmed with Jay Morrow) and covers liabilities that occurred prior to the effective date.
- Contracts meeting the criteria above must follow retroactive reinsurance accounting (per chapter 22 for current guidance and SSAP 62 for codification guidance – guidance is identical under both).
- Under retroactive accounting, the contracts are to be excluded from loss reserves and underwriting results.
- The loss reserves ceded out will be shown as a contra-liability write-in line (retro reinsurance reserves ceded) on page 3 of the A/S – (dr \$19.8 million).
- The income benefit taken immediately will be shown as a miscellaneous income write-in (retro reinsurance gain) on page 4 of the A/S – (cr \$9.9 million).
- The remaining entry is to reduce cash (cr \$9.9 million).
- The income benefit that is taken into surplus (net of tax) is restricted surplus and is excluded from unassigned surplus. This amount will be shown as a special surplus write-in line on page 3 of the A/S.
- A retroactive reinsurance footnote (#19) is required showing reserves transferred, consideration paid, amounts recovered and special surplus reserves for all assumed and ceded retro reinsurance contracts. The reinsurers involved are to be listed along with the amount of retroactive reinsurance reserves outstanding at the balance sheet date (awaiting reinsurer(s) name(s)).
- AIOUA did not treat this transaction as retroactive reinsurance in 1999; therefore, 2 years are flowing into the 2000 A/S.

**RETROACTIVE REINSURANCE TRANSACTIONS  
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\$250 million Gen Re LPT (2000)

- This contract transfers both components of insurance and covers liabilities that occurred prior to the effective date.
- Contracts meeting the criteria above must follow retroactive reinsurance accounting (per chapter 22 for current guidance and SSAP 62 for codification guidance – guidance is identical under both). Also, all LPT's are to be accounted for as retroactive reinsurance.
- Under retroactive accounting, the contracts are to be excluded from loss reserves and underwriting results.
- The loss reserves assumed will be shown as a liability write-in line (retro reinsurance reserves assumed) on page 3 of the A/S – (cr \$250 million).
- The income (expense) on this contract is -0- as the premium and loss amounts are identical.
- The remaining entry is to increase funds held asset (dr \$250 million).
- A retroactive reinsurance footnote (#19) is required showing reserves transferred, consideration paid, amounts recovered and special surplus reserves for all assumed and ceded retro reinsurance contracts. The reinsurers involved are to be listed along with the amount of retroactive reinsurance reserves outstanding at the balance sheet date (General Reinsurance Corporation - \$250 million).

GEN RE LPT ACCOUNTING

1/19

GAAP Entries:

Debit	Funds Held - Asset	250,000,000	
Credit	Premiums Written - Assumed		250,000,000
Debit	Change in Reserve for Losses - Assumed IBNR	250,000,000	
Credit	Reserve for Losses - Assumed IBNR		250,000,000

Statutory Entries - Retroactive Accounting:

Debit	Funds Held - Asset	250,000,000	
Credit	Retroactive Reinsurance Assumed (Write-In Line on Liability Page)		250,000,000

No Other Income/(Loss) impact on P/L because premium and loss amounts are identical.