

### Reinsurance Reserve Credits

LHATF spent the hour discussing comments that had been received on the proposal by Sheldon Summers (CA). That proposal would limit the credit for reserves and the asset for deferred premiums that a ceding company could hold if reinsurance is ceded under certain conditions. Summers proposed some changes, but the proposal remains quite restrictive from the industry's point of view.

Numerous industry foes marshaled the following objections:

- Many companies get direct values from different administrative systems than reinsurance values,
- It would be costly to implement, especially since it applies on a seriatim basis,
- The problem it attempts to solve is not material and should be addressed by PBV,
- It introduces potentially different accounting treatment for identical reinsurance treaties,
- It introduces different accounting between a ceding company and a reinsurer,
- It could result in total reserves (i.e., ceding company plus reinsurer) greater than if there was no reinsurance,
- This is properly an accounting issue, not an actuarial issue,
- Reserve adequacy because of reinsurance credits is not an issue, and
- The proposed reinsurance requirements are not synchronized with the economic realities of the market (i.e., gross premiums being much less than net premiums, yet still profitable).

LHATF then voted 8-6, with one abstention and the Chairman not voting, to expose the revised proposal for comments. The narrow margin of victory portends another action-packed round at the September meeting.

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