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**To:** Kris DeFrain

**From:** Wanchin Chou, Chief Actuary

**Date:** January 20, 2022

**Subject:** Comment on Schedule P Reporting for Retroactive Reinsurance Accounting Exceptions

Thank you for the opportunity to comment on the proposed solutions to the problem of the mismatch between SSAP 62R and the Schedule P instructions as they pertain to the treatment of intercompany reinsurance arrangements.

Slide 18 points out that the Schedule P Instructions for intercompany pooling direct the company to record premiums and losses according to the pooling percentage and to restate the history if a change is made retroactively. SSAP 62R allows recording premiums and losses in this manner only if there is no surplus gain. In general, such pooling agreements result in some change in surplus. We find the current Schedule P instructions allow for valuable information regarding loss development and premium volume changes, and so we support the proposal to add intercompany pooling to the exceptions listed in SSAP 62R, paragraph 36.

Slide 20 points out that Schedule P are silent regarding treatment for the exceptions listed in SSAP 62R, paragraphs 36c and 36d. We support adding Schedule P instructions for the exceptions listed in SSAP62R, paragraphs 36c and 3d, including specifying a method for allocating premium to prior years.

We do not support adding a Schedule P line of business (one of the “Other Possible Actions” listed on slide 22) since this would include a mixture of insurance lines of business and claim ages. Such a mixture would not be useful in monitoring underwriting results.

Resolving the differences between SSAP 62R and Schedule P will make our system of accounting more uniform and transparent and benefit the public as a whole.