

Interpretation of the Emerging Accounting Issues Working Group

INT 01-33: Extension of 9-Month Rule in SSAP No. 62R

GUIDANCE DETERMINED TO BE NO LONGER RELEVANT

INT 01-33 Dates Discussed

October 16, 2001; December 10, 2001

INT 01-33 References

SSAP No. 62R—Property and Casualty Reinsurance (SSAP No. 62R)

INT 01-33 Issue

1. The terrorist attacks of September 11, 2001 (the September 11 events), resulted in a tremendous loss of life and property. Secondly, those events interrupted the business activities of many entities and disrupted the U.S. economy at many levels. In the past, businesses have incurred losses as a result of catastrophes such as earthquakes, hurricanes, and even other terrorist attacks. However, the September 11 events are unprecedented in the United States in terms of the magnitude of the losses incurred and the number of entities affected. The September 11 events have an effect on many companies' financial statements for the period ended September 30, 2001. Clearly, the importance of the accounting for the impact of those events pales in comparison to the gravity of the events themselves.

2. Several large reinsurers and reinsurance brokers had either home offices or branch offices located in the World Trade Center or the immediate vicinity; these companies include, but are not limited to, Guy Carpenter, Aon Re, Folksamerica Re, St. Paul Re, Scor Re, Zurich Re, Transatlantic Re, and GE Re. Paragraph 24 of SSAP No. 62R states that a reinsurance contract must be finalized and executed within nine months of the effective date of the contract or become subject to retroactive accounting treatment. All reinsurance contracts effective on January 1, 2001, must be executed by September 30, 2001, to satisfy these requirements.

3. The accounting issue is whether the Statutory Accounting Principles (E) Working Group contemplated the extenuating and catastrophic circumstances, such as the September 11 events, when it established the nine-month rule in SSAP No. 62R paragraph 24. If not, would it be appropriate to create a one-time extension to the nine-month rule for those entities directly affected by the September 11 events?

INT 01-33 Discussion

4. The Working Group reached a consensus that allows an extension until December 31, 2001, of the nine-month rule for the 2001 year. This extension is only granted to those reporting entities who were directly affected by the September 11 events, or to those reporting entities whose reinsurers or reinsurance brokers were directly affected. This extension applies to all contracts which commenced in 2001 and therefore would need to be finalized, reduced to written form, and signed by the parties within nine months of the commencement date or December 31, 2001, whichever is longer.

5. Further, it is the responsibility of the reporting entity to document in their files the actual date of execution/completion of the reinsurance agreement and the reason for any delay as it relates to the September 11 events.

INT 01-33 Status

6. No further discussion is planned.