

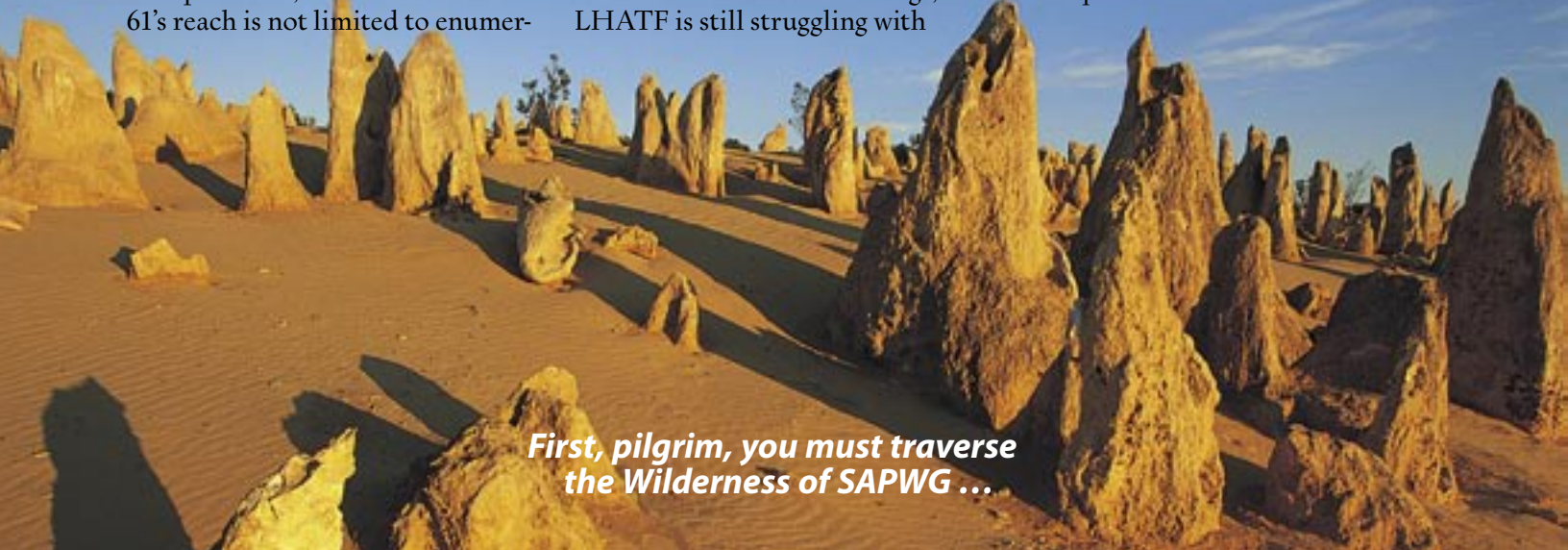
## The Meaning of SSAP No. 61

by STEVEN KASS

The complexity of the SSAP No. 61 reinsurance accounting rules is matched only by the complexity involved in obtaining an NAIC interpretation of those rules. This past spring, a carrier asked the NAIC staff whether a particular type of treaty was eligible for reserve credit. The staff recommended that “if” the Statutory Accounting Practices Working Group (SAPWG) desires to issue an interpretation, it state that SSAP 61’s reach is not limited to enumer-

ated treaty types. The SAPWG, in turn, determined that reinsurance accounting (i.e., reserve credits for the ceding company) under SSAP 61 appeared to be reasonable and proper under the circumstances, but referred the matter to the NAIC’s Life and Health Actuarial Task Force (LHATF) for review of questions related to the reach of SSAP 61. After several LHATF discussions, most recently at the December NAIC meetings, LHATF is still struggling with

whether these and larger questions, including the meaning of risk transfer and the interstices between SSAP 61 and the Life and Health Reinsurance Agreements Model Regulation. An industry representative has been charged with threading the needle and drafting treaty language that falls within the Model Regulation but outside SSAP 61. Once that task is accomplished, LHATF will again ponder this question in a conference call.



*First, pilgrim, you must traverse the Wilderness of SAPWG ...*

## Treaty Tips: Don’t Slip Up When Incorporating by Reference

by ROLAND C. GOSS

In some markets, it is customary to operate on **reinsurance slips** that make **abbreviated references** to various additional clauses. This practice usually evidences an intention to incorporate into the slip by reference the text of clauses that have an accepted meaning in that market, perhaps because they have been promulgated or approved by an industry trade association or government-related entity.

Such references should be used with care to avoid introducing **ambiguity** into the slip. If a refer-

ence does not clearly identify the clause being referred to, its source, and its version, the result can be uncertainty in determining the contract terms. Imprecise incorporation by reference of clauses governing fundamental aspects of the reinsurance relationship, such as the definition of a loss or claims procedures, **could jeopardize the entire transaction** by enabling a party to argue that there was no agreement on the essential terms of the contract. Such uncertainty has resulted in litigation between ceding companies and reinsurers.



These problems may be avoided by the careful use in the slip of **complete references to additional clauses**, which contain information sufficient to enable even a reader who is not experienced in the market to ascertain the substance of the clauses to which reference is being made.