



# News Release

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

## FOR IMMEDIATE RELEASE

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## NAIC Group Approves Finite Reinsurance Disclosure Requirements

KANSAS CITY, Mo. (June 12, 2005) – At the National Association of Insurance Commissioners (NAIC) meeting in Boston, the NAIC Property and Casualty Reinsurance Study Group approved enhanced disclosure requirements for insurers that utilize reinsurance with limited risk transfer features, also known as finite reinsurance.

The use of finite reinsurance has received considerable attention over the past several months, because of its misuse by some high-profile insurers. State insurance regulators, working in a coordinated fashion through the NAIC, have been evaluating existing relevant statutory financial reporting since last year.

The latest proposed disclosures would require an insurer to report to state insurance regulators any finite reinsurance agreement that has the effect of altering policyholders' surplus by more than three percent, or representing more than three percent of ceded premium or losses. Additional reporting requirements regarding contract terms and management's intention in entering the contract have been included to improve transparency.

Study Group members also approved a standard attestation form to be signed by the insurer's CEO and CFO attesting that there are no side agreements and that risk transfer has occurred.

The proposed enhanced disclosure requirements and the attestation by company management will clarify the overall impact of finite reinsurance on the industry," said Joe Fritsch, Director of Insurance Accounting Policy for the New York Insurance Department and chair of the Study Group. "Since this issue is a priority for state insurance regulators, we believe that this approval will allow the enhanced disclosure of these practices to be identified in the NAIC 2005 property and casualty financial statement."

In addition, the NAIC Casualty Actuarial Task Force will distribute a survey to insurers and actuaries to determine what risk transfer tests are being used for these agreements and what minimum risk transfer requirements industry practitioners currently use.

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**About the NAIC**

Headquartered in Kansas City, Missouri, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and U.S. territories. The association's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, it is the oldest association of state officials. For more information, visit NAIC on the Web at: [www.naic.org/pressroom](http://www.naic.org/pressroom).