Interpretation of the Emerging Accounting Issues (E) Working Group

INT 05-04: Extension of Ninety-day Rule for the Impact of Hurricane Katrina, Hurricane Rita and Hurricane Wilma

GUIDANCE DETERMINED TO BE NO LONGER RELEVANT

INT 05-04 Dates Discussed
September 28, 2005; December 3, 2005

INT 05-04 References
SSAP No. 6—Uncollected Premium balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers

INT 05-04 Issue
1. Hurricane Katrina, Hurricane Rita and Hurricane Wilma and their aftermath have resulted in tremendous loss of life and property, the extent to which is currently not known. The impact of this catastrophe affects people, businesses and property in Louisiana, Mississippi, Alabama, Florida and Texas. State regulators and insurers are taking action to provide policyholders affected by this disaster with the support and understanding that is deserved.
   a. Many insurers are providing a 60-day grace period on collection of premiums from policyholders impacted by the hurricane.
   b. Many insurers are delaying renewals and/or cancellations of policies in effect as of the declaration of the state of emergency by the federal government in areas affected by the hurricane.
2. The Accounting Issues are as follows:
   Should an extension of the 90-day rule for uncollected premiums be granted to insurers for policies affected by the hurricanes?

INT 05-04 Discussion
3. The Working Group reached a consensus for a one-time extension of the ninety-day rule for uncollected premium balances, bills receivable for premiums and amounts due from agents and policyholders directly impacted by Hurricane Katrina, Hurricane Rita and Hurricane Wilma.
4. For policies in effect as of the declaration of a state of emergency by either the states or federal government, as described in paragraph 3, insurers are granted 150 days (90 days per existing guidance, plus the 60-day extension), not to extend beyond March 1, 2006, before nonadmission is required per SSAP No. 6, paragraph 9.
5. Existing impairment analysis remains in effect for these affected policies.

INT 05-04 Status
6. No further discussion is planned.