

26. (2.75 points)

a. (0.5 point)

Describe a commutation agreement.

b. (1 point)

Identify how each of the following items are impacted by the commutation of a reinsurance contract, and briefly describe the rationale:

i. Net loss reserves for ceding insurance company

ii. Paid losses for reinsurance company

c. (0.75 point)

Identify the section of the Annual Statement in which a ceding insurer should disclose a commutation agreement, and identify two specific items that must be included in this disclosure.

d. (0.5 point)

Describe one reason why a ceding insurer is required to disclose information about commutation agreements in its Annual Statement.