CLASSIFYING REINSURANCE CONTRACTS

Was the contract entered into, renewed, amended, or does the contract have an anniversary date (i.e., multi-year contract) during or after 1994?	**No** → The contract would be "grandfathered" and accounted for in accordance with Chapter 22 of the NAIC *Accounting Practices and Procedures Manual for Property/Casualty Insurance Companies dated January 1992.*

Yes ↓

Has the reinsurer assumed significant insurance risk, both as to timing of risk (including timely reimbursement) and amount of insurance loss under the reinsured portions of the underlying contracts? — **No** →

Yes ↓

Is it reasonably possible that the reinsurer may realize a significant loss from the transaction? — **No** →

Has the reinsurer assumed substantially all of the risk relating to the reinsured portion of the underlying contract (i.e., the reinsurer is in the same economic position as the reinsured)?

Yes ↓

The contract has transferred risk and should be accounted for as reinsurance in accordance with SSAP No. 62R.

← **Yes**

No ↓

The contract has not transferred risk and should be accounted for as a deposit. Any previously recognized gains and losses should not be restated, and existing balances should be reclassified as deposits.

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Does the contract only reinsure losses from insured events that may occur after the date the contract is entered into? — **Yes** → Account for the contract as a prospective reinsurance.

No ↓

Does the contract only reinsure losses from insured events that occurred prior to the date the contract is entered into? — **Yes** → Account for the contract as a retroactive unless one of the paragraph 31 exceptions are met, then account for either prospective reinsurance or as indicated.

No ↓

Is it practicable to identify and account separately for the prospective and retroactive portions of a blended contract? — **No** →

— **Yes** → Account for the prospective and retroactive components separately.