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Chairperson's Corner

By Mary Broesch

One thing I love about the actuarial profession and especially the reinsurance community is all the relationships I enjoy. The connections seem to grow and deepen with every interaction, whether it's someone you work with every day, or those folks on that project, you know, the one that seemed to take forever, but then one day is simply done. Relationships develop while sharing something in common.

Today, I'm happy to share with you the new mission statement for the Reinsurance Section:

"... to advance the reinsurance profession through the identification and communication of emerging issues and trends for the global reinsurance community through education, research, professional development and networking."

While our mission has not changed, this new statement does a better job at expressing why we exist as a Section. Our community exists so that we can share our thoughts and challenges with others, who may be experiencing the same. Networking is a great way to create new relationships. Relationships are valuable and create meaning in our lives.

So, what's emerging now? If you're a reinsurance geek like me, you will be excited to learn about the new reinsurance practice note. The American Academy of Actuaries' Credit for Reinsurance Subgroup recently released the draft practice note, *Credit for Life Reinsurance in U.S. Statutory Financial Statements*, for exposure. This is an excellent resource and reference document for practicing actuaries dealing with current and emerging credit for reinsurance issues on their statutory financial statements. The guidance is up-to-date and relevant, and includes specific questions with respect to PBR and AG48.

The original reinsurance practice note was published in 2005. Significant changes have occurred since then, including the Dodd-Frank Act, effective in 2010 that changed how credit for reinsurance is regulated in the U.S. After Dodd-Frank, the ceding company only needs to satisfy the credit for reinsurance rules in its state of domicile, rather than in all states in which it operates, essentially eliminating the extraterritorial application of credit for reinsurance laws.



Another significant change to the credit for reinsurance rules was the introduction of a new class of reinsurers, called certified reinsurers. Generally, reinsurers that meet the requirements, including being rated by at least two acceptable rating agencies, are granted certified status. The collateral requirements for a certified reinsurer are based on their financial strength ratings, with the highest rated certified reinsurers allowed to reduce their collateral requirements the most.

The updated practice note also reflects guidance on the recent Covered Agreement completed between the European Union and U.S. Treasury on Jan. 13, 2017.

It's wonderful to see all the names of those who helped to prepare and finalize the practice note. I personally thank you for this relevant and important work and look forward to spending more time delving into it.

Until our paths cross again, don't forget, reinsurance is a relationship business. Let's connect soon! ■



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