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Life reinsurance executives say they think the rating agencies should have a more positive view of financial reinsurance.

The executives made that case here recently at the annual meeting of the Society of Actuaries, Schaumburg, Ill.

Jeff Poulin, a senior vice president at London Life Reinsurance Company, Blue Bell, Pa., was one of several SOA event speakers who said the rating agencies seem to prefer securitizations to financial reinsurance.

Eliot Spitzer, a Democrat who is now governor of New York and was attorney general, roiled the financial reinsurance market a few years back by investigating allegations that some financial reinsurance customers were using products written by property-casualty insurers to “smooth earnings” rather than to transfer risk.

The life financial reinsurance market now is starting to overcome the “Spitzer effect,” Poulin said.

“A lot of bad things had been done on the [property-casualty] side but the life side is a lot cleaner,” Poulin said.

Tight reserve credit rules and risk transfer rules helped on the life side, Poulin said.

Another speaker, Jeff Burt, a vice president at Hannover Life Reassurance Company of America, Orlando, Fla., expressed similar views.

In 2007, the “deal flow has been really busy since the first of the year,” Burt said.

Stronger requirements helped protect the life financial reinsurance market, and efforts to increase disclosure to regulators and rating agencies should improve the situation even more, Burt said.

But speakers noted that securitizations also are common, and that there might be at least one or two securitizations that are not announced publicly for every publicly announced securitization.

Laura Bazer, a senior credit officer at Moody’s Investors Services, New York, said life reinsurance is “an absolute necessity and key to the functioning of the direct industry.”

But Bazer expressed concern about the concentration of risk that has resulted from market consolidation, and she said she believes that “this is still a hand shake business, although it is changing gradually.”

If rating agencies are going to give credit for reinsurance, there has to be an actual transfer of risk, not just “debt masquerading as reinsurance,” Bazer said.

The rating agencies do not prefer securitizations to financial reinsurance, Bazer added.

Burt, the Hannover Life Re executive, said later in the discussion that financial reinsurers lack the ability to go back and tap a direct writer’s surplus.

If a ceding insurer does not perform well, then there is no recourse for the reinsurer, Burt said.

Burt gave contracts that offer experience refunds based on how a reinsured block of business performs as an example of a type of financial reinsurance contract that should get more respect.

Mel Young, an executive vice president in the Norwalk, Conn., office of Reinsurance Group of America Inc., said he believes life reinsurers are still thought of as if they were property-casualty companies that are doing the same things that got the p-c companies into trouble.

But one of the reasons that life reinsurers have not suffered as badly as the p-c reinsurers is that New York has made life reinsurers adhere to tough requirements, Young said.