

Interpretation of the Emerging Accounting Issues Working Group

INT 01-33: Extension of 9-Month Rule in SSAP No. 62R

GUIDANCE DETERMINED TO BE NO LONGER RELEVANT

INT 01-33 Dates Discussed

October 16, 2001; December 10, 2001

INT 01-33 References

SSAP No. 62R—Property and Casualty Reinsurance (SSAP No. 62R)

INT 01-33 Issue

1. The terrorist attacks of September 11, 2001 (the September 11 events), resulted in a tremendous loss of life and property. Secondly, those events interrupted the business activities of many entities and disrupted the U.S. economy at many levels. In the past, businesses have incurred losses as a result of catastrophes such as earthquakes, hurricanes, and even other terrorist attacks. However, the September 11 events are unprecedented in the United States in terms of the magnitude of the losses incurred and the number of entities affected. The September 11 events have an effect on many companies' financial statements for the period ended September 30, 2001. Clearly, the September 11 events pale in comparison to other events themselves.

2. Several large reinsurers and reinsurance brokers had either home offices or branch offices located in the World Trade Center or the immediate vicinity; these companies include, but are not limited to, Guy Carpenter, Aon Re, Folksamer Re, St. Paul Re, Scor Re, Zurich Re, Transatlantic Re, and GE Re. Paragraph 24 of SSAP No. 62R states that a reinsurance contract must be finalized and executed within nine months of the effective date of the contract or become subject to retroactive treatment. All reinsurance contracts effective on January 1, 2001, must be executed by September 30, 2001, to satisfy these requirements.

3. The issue is whether the Statutory Accounting Principles (E) Working Group contemplated an extension and catastrophic circumstances, such as the September 11 events, when it established the rule in SSAP No. 62R paragraph 24, would it be appropriate to create a one-time extension to the nine-month rule for those entities directly affected by the September 11 events?

INT 01-33 Discussion

4. The Working Group reached a consensus that allows an extension to December 31, 2001, of the nine-month rule for the 2001 year. This extension is effective for several years.

INT 01-33 Status

6. No further discussion is planned.