



# Illinois Department of Insurance

---

PAT QUINN  
Governor

ANDREW BORON  
Director

TO: ALL DOMESTIC LIFE, ACCIDENT AND HEALTH INSURANCE  
COMPANIES AND DOMESTIC FRATERNAL ORGANIZATIONS

FROM: ANDREW BORON, DIRECTOR OF INSURANCE *AEB*

DATE: April 9, 2014

RE: COMPANY BULLETIN 2014-03  
REVISED 50 IL ADM CODE 1103 REINSURANCE ACCOUNTING  
WORKSHEET

---

The standardized Reinsurance Accounting Worksheet form prescribed for those companies entering into reinsurance agreements subject to 50 Il Adm Code 1103 has been revised to gather more information from the companies regarding their reinsurance agreements.

Please complete, sign and submit this revised worksheet when filing a reinsurance agreement for approval pursuant to 215 ILCS 5/174 if the conditions of 50 IL Adm Code 1103 apply to said reinsurance agreement.

## REINSURANCE ACCOUNTING WORKSHEET

Ceding Company \_\_\_\_\_

Reinsurer \_\_\_\_\_

Type of reinsurance treaty? \_\_\_\_\_

Type of business being reinsured (Refer to Exhibit A of Section 1103)? \_\_\_\_\_

A. Is there term or universal life with secondary guarantees included in the transaction? Yes \_\_\_ No \_\_\_

B. Is the ceding company the original issuer of the business being reinsured? Yes \_\_\_ No \_\_\_

C. Does the assuming company intend to retrocede the business? Yes \_\_\_ No \_\_\_

D. Is the reserve credit or asset recognition for this treaty already being reported on the annual statement on Schedule S, Part 3, Sections 1 and/or 2? Yes \_\_\_ No \_\_\_

E. What section of the treaty contains an entire contract provision per 50 Ill. Adm. Code 1103.40?  
\_\_\_\_\_

F. Will the surplus impact of the treaty (outstanding surplus relief) be recognized in Schedule S, Part 3, Sections 1 or 2? Yes \_\_\_ No \_\_\_

If yes, will the initial surplus impact and the subsequent amortization be recognized on page 3, Aggregate write-in for special surplus funds and page 4, Change in surplus as a result of reinsurance?  
Yes \_\_\_ No \_\_\_

### **Pursuant to 50 Ill. Adm. Code 1103.30:**

1. A. Are the renewable expense allowances provided or to be provided to the ceding insurer by the reinsurer in any accounting period sufficient to cover anticipated allocable renewal expenses of the ceding insurer on the portion of the business reinsured? Yes \_\_\_ No \_\_\_

B. If no, has a liability been established for the present value of the shortfall, using assumptions equal to the applicable statutory reserve bases on the business reinsured? Yes \_\_\_ No \_\_\_

2. Can the ceding insurer be deprived of surplus or assets at the reinsurer's option or automatically upon the occurrence of some event? Yes \_\_\_ No \_\_\_

3. A. Is the ceding company required to reimburse the reinsurer for negative experience? Yes \_\_\_ No \_\_\_

B. Can the reinsurer increase reinsurance premiums or risk and expense charges to excessive levels to force the ceding company to prematurely terminate the reinsurance treaty? Yes \_\_\_ No \_\_\_

4. Can the ceding insurer be forced to terminate or automatically recapture all or part of the reinsurance ceded? Yes \_\_\_ No \_\_\_

5. Does the reinsurance agreement involve the possible payment by the ceding insurer to the reinsurer of amounts other than from income realized from the reinsurance policies?  
Yes \_\_\_ No \_\_\_

6. Refer to 50 Ill. Adm. Code 1103 Exhibit A to determine the risk category. Does the treaty transfer all of the significant risk inherent in the business being reinsured?  
Yes \_\_\_ No \_\_\_
7. If the credit quality, reinvestment or disintermediation risk is significant for the business reinsured then has either a), b) or c) occurred? Yes \_\_\_ No \_\_\_ If yes, which one?  
a) Have the underlying assets been transferred to the reinsurer?  
b) Are the assets legally segregated in a trust account or escrow account?  
c) Has another mechanism been established which segregates, by contract or contract provision, the underlying assets?
8. A. Are settlements made less frequently than quarterly? Yes \_\_\_ No \_\_\_  
B. Are the settlements made in something other than cash? Yes \_\_\_ No \_\_\_
9. Has the ceding insurer made representations or warranties not reasonably related to the business being reinsured? Yes \_\_\_ No \_\_\_
10. Has the ceding insurer made representations or warranties about the future performance of the business being reinsured? Yes \_\_\_ No \_\_\_
11. Is the amount of total admitted assets of the ceding insurance company less the amount of all funds withheld by any reinsurer as a result of all reinsurance treaties less than the total gross amount available to policyholders either through the exercise of policy cash surrender or loan provisions? Yes \_\_\_ No \_\_\_
12. Has the reinsurance agreement been entered into for the principal purpose of producing significant surplus aid for the ceding company on a temporary basis, while not transferring all of the significant risks inherent in the business reinsured and, the remaining liability to the ceding insurer remains basically unchanged? Yes \_\_\_ No \_\_\_

Review the responses to the above questions #1 through 12. Either Question 1.A or 1.B must be "Yes", Questions 6 and 7 must be "Yes" and all other questions must be "No" in order for reserve credit or asset recognition to be allowed on the annual statement for this treaty.

I have reviewed the reinsurance treaty and all related documents including any escrow or trust agreement and the policy forms reinsured and certify that my responses to Questions #1 through 12 are inclusive and correct and true to the best of my knowledge and understanding.

\_\_\_\_\_  
Actuary  
(original signature required)

\_\_\_\_\_  
Date