April 24, 2025

Rachel Hemphill,
Chair, NAIC Life Actuarial (A) Task Force (LATF)

Fred Andersen,
Minnesota Department of Commerce

Re: Actuarial Guideline for Reinsurance Asset Adequacy Testing 3/23/25

Chair Hemphill and Mr. Andersen:

This letter is submitted on behalf of the National Alliance of Life Companies (NALC). The NALC is a trade association of more than fifty life insurance companies and associates that represents the interests of smaller and mid-sized life insurers, specialty insurers, and their policyholders. Thank you for the opportunity to provide our comments on the most recent exposure draft of Actuarial Guideline for Reinsurance Asset Adequacy Testing (the Guideline).

We appreciate concerns that have been expressed regarding U.S. based life insurers engaging in asset intensive, offshore reinsurance transactions. The NALC supports effective solvency regulation and giving U.S. regulators the tools they need to ensure that reinsurance assets are adequately tested to cover future liabilities.

NALC member companies supported Task Force efforts throughout the drafting process to avoid duplicative testing requirements, including the carve-out for companies that are already required to submit a VM-30 memorandum to U.S. state insurance regulators, and de minimis exclusion for transactions that do not satisfy the criteria contained in section 2.A.

In our February 28, 2025 comment letter we briefly mentioned our concerns with applying the Guideline "to jurisdictions addressed in the Covered Agreement as well as those the NAIC has recognized as reciprocal jurisdictions under the Credit for Reinsurance Model Law and Regulation." Our letter put that issue on hold to enable the Task Force to work out the remaining technical details in the Guideline. With this most recent exposure and the intention to seek adoption of the Guideline by the NAIC at the 2025 Summer National Meeting, we suggest that the time has arrived for the Task Force to consider an exemption for reinsurers domiciled in qualifying jurisdictions.

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The NAIC's designation of Japan, Bermuda and Switzerland reflects a rigorous evaluation of those jurisdictions' regulatory framework; deemed equivalent to U.S. standards for group supervision, solvency, and reinsurance oversight. This status, reaffirmed through ongoing NAIC reviews, acknowledges their robust risk-based supervisory regimes, which align with international standards, including those of the International Association of Insurance Supervisors (IAIS) and the European Union's Solvency II Directive. Applying the Guideline to reinsurers domiciled in these jurisdictions would undermine the mutual recognition established under the NAIC's reciprocal urisdiction framework and impose duplicative regulatory burdens that are unnecessary given the comprehensive oversight in those jurisdictions. An exclusion would respect the regulatory equivalence already recognized by the NAIC, reduce unnecessary compliance burdens, and maintain the efficiency of cross-border reinsurance operations that benefit U.S. insurers and policyholders.

Should the Task Force choose to retain AG ReAAT's applicability to reciprocal jurisdiction reinsurers, we would urge consideration of alternative approaches, such as accepting asset adequacy analyses or harmonizing testing methodologies supervised by the domiciliary jurisdiction to avoid redundancy. We also request that the Task Force include in its report to the Life Insurance and Annuities (A) Committee an explanation stating the rationale for the refusal to grant an exemption for reciprocal jurisdictions. This statement should include an explanation why regulatory and standards in reciprocal jurisdictions are insufficient to protect U.S. policyholders.

Thank you again for the opportunity to address our comments.

Sincerely,

Scott Harrison
Chief Executive Officer

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