



Date: 7/20/21

Virtual Meeting

(in lieu of meeting at the 2021 Summer National Meeting)

REINSURANCE (E) TASK FORCE

Tuesday, July 27, 2021

4:00 – 5:30 p.m. ET / 3:00 – 4:30 p.m. CT / 2:00 – 3:30 p.m. MT / 1:00 – 2:30 p.m. PT

ROLL CALL

Chlora Lindley-Myers, Chair	Missouri	Eric A. Cioppa	Maine
Raymond G. Farmer, Vice Chair	South Carolina	Gary D. Anderson	Massachusetts
Jim L. Ridling	Alabama	Troy Downing	Montana
Lori K. Wing-Heier	Alaska	Eric Dunning	Nebraska
Peni Itula Sapini Teo	American Samoa	Chris Nicolopoulos	New Hampshire
Alan McClain	Arkansas	Marlene Caride	New Jersey
Ricardo Lara	California	Russell Toal	New Mexico
Michael Conway	Colorado	Linda A. Lacewell	New York
Andrew N. Mais	Connecticut	Mike Causey	North Carolina
Trinidad Navarro	Delaware	Jon Godfread	North Dakota
David Altmaier	Florida	Judith L. French	Ohio
John F. King	Georgia	Glen Mulready	Oklahoma
Dana Popish Severinghaus	Illinois	Elizabeth Kelleher Dwyer	Rhode Island
Amy L. Beard	Indiana	Doug Slape	Texas
Doug Ommen	Iowa	Jonathan T. Pike	Utah
Vicki Schmidt	Kansas	Michael S. Pieciak	Vermont
Sharon P. Clark	Kentucky	Scott A. White	Virginia
James J. Donelon	Louisiana	Mark Afable	Wisconsin

NAIC Support Staff: Jake Stultz/Dan Schelp

AGENDA

1. Consider Adoption of its Spring National Meeting Minutes
—*John Rehagen (MO)* Attachment One
2. Consider Adoption of its 2022 Proposed Charges—*John Rehagen (MO)* Attachment Two
3. Consider Adoption of the Reinsurance Financial Analysis (E) Working Group Report—*Rolf Kaumann (CO)*
4. Consider Adoption of the Draft Revisions to the *Process for Evaluating Qualified and Reciprocal Jurisdictions*—*John Rehagen (MO)*
 - a. Draft Revisions to the *Process for Evaluating Qualified and Reciprocal Jurisdictions* Attachment Three
 - b. Comment Letters Attachment Four

- 5. Discuss the Draft *ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers*—John Rehagen (MO)
 - a. Draft *ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers* Attachment Five
 - b. Comment Letters Attachment Six

- 6. Discuss the Republic of Korea Application to Become a Qualified Jurisdiction—*John Rehagen (MO)*
 - a. Republic of Korea: Final Evaluation Report Attachment Seven
 - b. Comment Letter Attachment Eight

- 7. Receive a Status Report on the States’ Implementation of the 2019 Revisions to the *Credit for Reinsurance Model Law (#785)* and the *Credit for Reinsurance Model Regulation (#786)*—*John Rehagen (MO)* Attachment Nine

- 8. Receive a Status Report on the States’ Implementation of the *Term and Universal Life Insurance Reserve Financing Model Regulation (#787)*—*John Rehagen (MO)* Attachment Ten

- 9. Discuss Any Other Matters Brought Before the Task Force—*John Rehagen (MO)*

- 10. Adjournment

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Draft: 3/30/21

Reinsurance (E) Task Force
Virtual Meeting (*in lieu of meeting at the 2021 Spring National Meeting*)
March 23, 2021

The Reinsurance (E) Task Force met March 23, 2021. The following Task Force members participated: Chlora Lindley-Myers, Chair, represented by John Rehagen (MO); Raymond G. Farmer, Vice Chair (SC); Lori K. Wing-Heier represented by David Phifer (AK); Jim L. Ridling represented by Richard Ford (AL); Alan McClain represented by Mel Anderson (AR); Ricardo Lara represented by Monica Macaluso (CA); Michael Conway represented by Rolf Kaumann (CO); Andrew N. Mais represented by Kathy Belfi (CT); Trinidad Navarro represented by Dave Lonchar (DE); David Altmaier represented by Carolyn Morgan and Virginia Christy (FL); Doug Ommen (IA); Dana Popish Severinghaus represented by Eric Moser and Susan Berry (IL); Stephen W. Robertson represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Russell Coy and Vicki Lloyd (KY); James J. Donelon represented by Stewart Guerin (LA); Gary D. Anderson represented by Christopher Joyce (MA); Eric A. Cioppa represented by Robert Wake (ME); Troy Downing represented by Steve Matthews (MT); Mike Causey represented by Jackie Obusek (NC); Jon Godfread represented by Matt Fischer (ND); Bruce R. Ramge represented by Lindsay Crawford (NE); Chris Nicolopoulos represented by Doug Bartlett (NH); Marlene Caride represented by John Tirado (NJ); Russell Toal represented by Leatrice Geckler (NM); Linda A. Laceywell represented by Michael Campanelli (NY); Judith L. French represented by Dale Bruggeman (OH); Glen Mulready (OK); Elizabeth Kelleher Dwyer represented by Jack Broccoli (RI); Doug Slape represented by Jamie Walker (TX); Jonathan T. Pike represented by Jake Garn (UT); Scott A. White represented by David Smith and Doug Stolte (VA); and Michael S. Pieciak represented by David Provost (VT).

1. Adopted its 2020 Fall National Meeting Minutes

Mr. Eft made a motion, seconded by Ms. Geckler, to adopt the Task Force's Nov. 17, 2020, minutes (*see NAIC Proceedings – Fall 2020, Reinsurance (E) Task Force*). The motion passed unanimously.

2. Adopted the Report of the Reinsurance Financial Analysis (E) Working Group

Mr. Kaumann provided the report of the Reinsurance Financial Analysis (E) Working Group. He stated that the Working Group met Jan. 28 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss the application of one new certified reinsurer. Mr. Kaumann stated that the Working Group would meet several more times during 2021 to complete the remaining reviews of certified reinsurers and to discuss any new applications. He noted that the Working Group intends to update the *Reinsurance Financial Analysis (E) Working Group Procedures Manual* (ReFAWG Manual) to include procedures for the review and approval of reciprocal jurisdiction reinsurers and to implement a passporting process similar to the process used for certified reinsurers.

Mr. Kaumann made a motion, seconded by Ms. Macaluso, to adopt the Working Group's report. The motion passed unanimously.

3. Adopted the Report of the Qualified Jurisdiction (E) Working Group

Mr. Wake provided the report of the Qualified Jurisdiction (E) Working Group. He stated that the Working Group met March 17 in regulator-to-regulator session, pursuant to paragraph 6 (consultations with NAIC staff members) and paragraph 8 (considerations of strategic planning issues) of the NAIC Policy Statement on Open Meetings, to: 1) discuss the initial review of a country being evaluated as a qualified jurisdiction; 2) provide updates on a previous initial review; and 3) conduct ongoing business.

Mr. Wake stated that in December 2020, the NAIC adopted revisions to the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450), which adopted a group capital calculation (GCC) for the states. These revisions specifically include provisions that allow a commissioner to exempt groups that have a group-wide supervisor that recognize and accept the GCC for U.S. groups in their jurisdiction. Model #450 provides a general framework for how the recognition and acceptance process will work and specifically contemplates the development of a list of such jurisdictions.

Mr. Wake stated that the Financial Condition (E) Committee met March 8 and adopted a recommendation from the Group Capital Calculation (E) Working Group (Attachment One) to: 1) reposition the Qualified Jurisdiction (E) Working Group to

report directly to the Committee; 2) modify the 2021 charges to include developing a process for evaluating jurisdictions that meet the NAIC requirements for recognizing and accepting the NAIC GCC; and 3) revise the title of the group to be the Mutual Recognition of Jurisdictions (E) Working Group.

Mr. Wake noted that the Qualified Jurisdiction (E) Working Group was chosen to implement this charge because of the experience with reviewing qualified jurisdictions that recognize the U.S. state regulatory approach to group supervision and group capital for reciprocal jurisdiction purposes. He stated that issues related to the GCC will be communicated to the Committee while issues related to qualified and reciprocal jurisdictions will continue to be reported to the Task Force, in compliance with the *Process for Evaluating Qualified and Reciprocal Jurisdictions*.

Mr. Wake stated that the Working Group also discussed revisions to the *Process for Evaluating Qualified and Reciprocal Jurisdictions* (Attachment Two) during its March 17 meeting. He noted that the revisions would incorporate provisions for terminating the status of a qualified or reciprocal jurisdiction and would create a passporting process for reciprocal jurisdictions.

Karalee C. Morell (Reinsurance Association of America—RAA) requested that states that have adopted the 2019 revisions to the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786) would communicate that there is a process in place to accept applications from reciprocal jurisdiction reinsurers. She noted that while both the certified reinsurer and reciprocal jurisdiction reinsurer programs are in place, there will be some administrative synergies. She asked if there had been consideration to using a streamlined process that relies on information gathered from certified reinsurer reviews that could be used for reciprocal jurisdiction reinsurers.

Mr. Wake noted that these concepts had been considered and would be discussed further when the ReFAWG Manual is updated. Mr. Kaumann agreed that this will be considered by the Reinsurance Financial Analysis (E) Working Group.

Dan Schelp (NAIC) stated that he had contacted the eight states that have adopted the 2019 revisions to Model #785 and Model #786 and noted that Iowa was only state that had received a formal application. He noted that for some states, the 2019 revisions are not effective yet. Mr. Schelp stated that he has been providing the state insurance regulators with the *Uniform Checklist for Reciprocal Jurisdiction Reinsurers* as a tool to assist in reviewing and approving reciprocal jurisdiction reinsurers.

Sabrina Miesowitz (Lloyd's America) stated that she agrees with Ms. Morell's comments and asked if additional guidance could be provided for how the process will work for current certified reinsurers that will become reciprocal jurisdiction reinsurers.

Mr. Schelp stated that additional guidance will be considered when the ReFAWG Manual is revised. He added that NAIC staff will work with state insurance regulators to ensure that the Task Force is aware of which states are ready to recognize reciprocal jurisdiction reinsurers and that the Mutual Recognition of Jurisdictions (E) Working Group could also address.

Mr. Wake made a motion, seconded by Mr. Bruggeman, to adopt the Working Group's report and for the Task Force to expose the revisions to the *Process for Evaluating Qualified and Reciprocal Jurisdictions* for a 30-day comment period ending April 23. The motion passed unanimously.

4. Received a Status Report on the States' Implementation of the 2019 Revisions to Model #785 and Model #786

Mr. Rehagen stated that as of March 18, 23 U.S. jurisdictions have adopted the 2019 revisions to Model #785, while 21 jurisdictions have action under consideration. He noted that eight states have adopted the revisions to Model #786, and six jurisdictions currently have action under consideration. He stated that the maps showing the adoption of the 2019 revisions to Model #785 and Model #786 were included in the meeting materials (Attachment Three).

Mr. Rehagen stated that the 2019 revisions to the models must be adopted by the states prior to Sept. 1, 2022, which is when the revisions become an accreditation standard. He noted that Sept. 1, 2022, is also the date at which the Federal Insurance Office (FIO) must complete its federal preemption reviews under the "Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance" (EU Covered Agreement). He noted that the COVID-19 pandemic has slowed the adoption process, as several state legislatures have temporarily closed or have primarily focused on the pandemic. He stated that the Task Force will provide support to the states to meet this deadline, and it will communicate with the U.S. Department of the Treasury (Treasury Department) and the FIO as necessary. He noted that there have not been any specific conversations with either the FIO or the European Union (EU) about extending this deadline, but there have been some preliminary discussions with the FIO on the status of state adoptions.

Draft Pending Adoption

Attachment One

Mr. Rehagen stated that the current adoption maps can be found on the Task Force's web page. He noted that Mr. Schelp and Jake Stultz (NAIC) can answer any technical questions during the legislative process, and Holly Weatherford (NAIC) is working directly with the states on the adoption of the 2019 revisions to Model #785 and Model #786.

Having no further business, the Reinsurance (E) Task Force adjourned.

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Proposed 2022 Charges of the Reinsurance (E) Task Force

Attachment Two

2022 Charges

The **Reinsurance (E) Task Force** will:

- A. Provide a forum for the consideration of reinsurance-related issues of public policy.
- B. Oversee the activities of the Reinsurance Financial Analysis (E) Working Group.
- C. Monitor the implementation of the 2011, 2016 and 2019 revisions to the Credit for Reinsurance Model Law (#785); and the 2011 and 2019 revisions to the Credit for Reinsurance Model Regulation (#786) and the Term and Universal Life Insurance Reserve Financing Model Regulation (#787).
- D. Communicate and coordinate with the Federal Insurance Office (FIO), other federal authorities, and international regulators and authorities on matters pertaining to reinsurance.
- E. Consider any other issues related to the revised Model #785, Model #786 and Model #787.
- F. Monitor the development of international principles, standards and guidance with respect to reinsurance. This includes, but is not limited to, monitoring the activities of various groups within the International Association of Insurance Supervisors (IAIS), including the Reinsurance and Other Forms of Risk Transfer Subcommittee, the Reinsurance Mutual Recognition Subgroup and the Reinsurance Transparency Group.
- G. Consider the impact of reinsurance-related federal legislation, including, but not limited to, the federal Nonadmitted and Reinsurance Reform Act (NRRRA) and the Federal Insurance Office Act, and coordinate any appropriate NAIC action.
- H. Continue to monitor the impact of reinsurance-related international agreements, including the “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” (EU Covered Agreement) and the “Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance” (UK Covered Agreement).

The **Reinsurance Financial Analysis (E) Working Group** will:

- A. Operate in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings and operate in open session when discussing certified reinsurance topics and policy issues, such as amendments to the Uniform Application for Certified Reinsurers.
- B. Provide advisory support and assistance to states in the review of reinsurance collateral reduction applications. Such a process with respect to the review of applications for reinsurance collateral reduction and qualified jurisdictions should strengthen state regulation and prevent regulatory arbitrage.
- C. Provide a forum for discussion among NAIC jurisdictions of reinsurance issues related to specific companies, entities or individuals.
- D. Support, encourage, promote and coordinate multistate efforts in addressing issues related to certified reinsurers, including, but not limited to, multistate recognition of certified reinsurers.
- E. Provide analytical expertise and support to the states with respect to certified reinsurers and applicants for certification.
- F. Provide advisory support with respect to issues related to the determination of qualified jurisdictions.
- G. Ensure the public passporting website remains current.
- H. For reinsurers domiciled in Reciprocal Jurisdictions, determine the best and most effective approaches for the financial solvency surveillance to assist the states in their work to protect the interests of policyholders.

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Draft: 7/21/2021 from Mutual Recognition of Jurisdictions (E) Working Group

Note: The draft revisions to the *Process for Evaluating Qualified and Reciprocal Jurisdictions* were originally exposed at the Reinsurance (E) Task Force’s March 23 meeting, and four comment letters were received. The Mutual Recognition of Jurisdictions (E) Working Group then discussed this document and the comment letters on its May 27 regulator-only call and revised the document accordingly. All revisions that were made after the initial public exposure on March 23 are included in this document and are tracked with yellow highlights.



Process for Evaluating Qualified and Reciprocal Jurisdictions

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I. Preamble

Purpose

The revised *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) (collectively, the Credit for Reinsurance Models) require an assuming insurer to be licensed and domiciled in a “Qualified Jurisdiction” in order to be eligible for certification by a state as a certified reinsurer for reinsurance collateral reduction purposes. In 2012, the NAIC Reinsurance (E) Task Force was charged to develop an NAIC process to evaluate the reinsurance supervisory systems of non-U.S. jurisdictions, for the purposes of developing and maintaining a list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. This charge was extended in 2019 to encompass the recognition of Reciprocal Jurisdictions in accordance with the 2019 amendments to the Credit for Reinsurance Models, including the maintenance of a list of recommended Reciprocal Jurisdictions. The purpose of the *Process for Evaluating Qualified and Reciprocal Jurisdictions* is to provide a documented evaluation process for creating and maintaining these NAIC lists.

Background

On November 6, 2011, the NAIC Executive (EX) Committee and Plenary adopted revisions to the Credit for Reinsurance Models. These revisions serve to reduce reinsurance collateral requirements for certified reinsurers that are licensed and domiciled in Qualified Jurisdictions. Under the previous version of the Credit for Reinsurance Models, in order for U.S. ceding insurers to receive reinsurance credit, the reinsurance was required to be ceded to U.S.-licensed reinsurers or secured by collateral representing 100% of U.S. liabilities for which the credit is recorded. When considering revisions to the Credit for Reinsurance Models, the Reinsurance (E) Task Force contemplated establishing an accreditation-like process, modeled on the current NAIC Financial Regulation Standards and Accreditation Program, to review the reinsurance supervisory systems of non-U.S. jurisdictions. Under the revised Credit for Reinsurance Models, the approval of Qualified Jurisdictions is left to the authority of the states; however, the models provide that a list of Qualified Jurisdictions will be created through the NAIC committee process, and that individual states must consider this list when approving jurisdictions.

The ~~enactment in 2010 of the~~ federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), enacted in 2010, Further, the Dodd-Frank Act authorizes the U.S. Treasury Secretary and the U.S. Trade Representative (USTR), jointly, to negotiate and enter into “covered agreements” on behalf of the United States. These are bilateral or multilateral agreements with foreign governments, authorities or regulators relating to insurance prudential measures, which can preempt contrary state insurance laws or regulatory measures. The Dodd-Frank Act also created the Federal Insurance Office (FIO), which has the following authority: (1) coordinate federal efforts and develop federal policy on prudential aspects of international insurance matters; (2) assist the Secretary of the U.S. Department of the Treasury in negotiating covered agreements ~~(as defined in the Dodd-Frank Act)~~; (3) determine whether the states’ insurance measures are preempted by covered agreements; and (4) consult with the states (including state insurance regulators) regarding insurance matters of national importance and prudential insurance matters of international importance. ~~Further, the Dodd-Frank Act authorizes the U.S. Treasury Secretary and the U.S. Trade Representative (USTR), jointly, to negotiate and enter into covered agreements on behalf of the United States.~~ It is the NAIC’s intention to communicate and coordinate with the FIO and related federal authorities as appropriate with respect to the evaluation of the reinsurance supervisory systems of non-U.S. jurisdictions.

On September 22, 2017, the United States and the European Union (EU) entered into the “*Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance.*” A similar agreement with the United Kingdom (UK) was signed on December 18, 2018. Both agreements (collectively referred to as the “Covered Agreements”) will require the states to eliminate reinsurance

collateral requirements for reinsurers licensed and domiciled in these jurisdictions within 60 months (five years) after signing or face potential federal preemption by the Federal Insurance Office (FIO) under the Dodd-Frank Act.

Reciprocal Jurisdictions

On June 25, 2019, the NAIC Executive (EX) Committee and Plenary adopted revisions to the Credit for Reinsurance Models. These revisions were intended to conform the Models to the relevant provisions of the Covered Agreements. The Covered Agreements would eliminate reinsurance collateral requirements for EU and UK reinsurers that maintain a minimum amount of own funds equivalent to \$250 million and a solvency capital requirement (SCR) of 100% under Solvency II, among other conditions. Conversely, U.S. reinsurers that maintain capital and surplus equivalent to 226 million euros with a risk-based capital (RBC) of 300% of authorized control level would not be required to maintain a local presence in order to do business in the EU or UK or post reinsurance collateral. Under the revised Credit for Reinsurance Models, jurisdictions that are subject to in-force ~~C~~covered ~~A~~agreements are considered to be Reciprocal Jurisdictions,¹ and reinsurers that have their head office or are domiciled in a Reciprocal Jurisdiction are not required to post reinsurance collateral if they meet all of the requirements of the Credit for Reinsurance Models.

Under the revised Credit for Reinsurance Models, not only are jurisdictions that are subject to Covered Agreements treated as Reciprocal Jurisdictions for reinsurance collateral purposes, ~~but any other Qualified Jurisdictions can also~~ ~~has a pathway to qualify for collateral elimination as a Reciprocal Jurisdiction~~. States that meet the requirements of the NAIC Financial Standards and Accreditation Program are also considered to be Reciprocal Jurisdictions.

The NAIC has updated and revised this ~~-Process for Evaluating Qualified and Reciprocal Jurisdictions-~~ to specify how Qualified Jurisdictions that recognize key NAIC solvency initiatives, including group supervision and group capital standards, and also meet the other requirements under the revised Credit for Reinsurance Models, will be recognized as Reciprocal Jurisdictions and receive similar treatment as that provided under the EU and UK Covered Agreements, including the elimination of reinsurance collateral and local presence requirements by the states.

¹ The hypothetical possibility that a future covered agreement might not relate to reinsurance is addressed in Section 2F(1)(a)(i) of Model #785, which limits automatic Reciprocal Jurisdiction status to a covered agreement that “addresses the elimination, under specified conditions, of collateral requirements as a condition for entering into any reinsurance agreement with a ceding insurer domiciled in this state or for allowing the ceding insurer to recognize credit for reinsurance.”

II. Principles for the Evaluation of Non-U.S. Jurisdictions

1. The NAIC model revisions applicable to certified reinsurers are intended to facilitate cross-border reinsurance transactions and enhance competition within the U.S. market, while ensuring that U.S. insurers and policyholders are adequately protected against the risk of insolvency. To be eligible for certification, a reinsurer must be domiciled and licensed in a Qualified Jurisdiction as determined by the domestic regulator of the ceding insurer. A Qualified Jurisdiction not subject to an in-force Covered Agreement under the Dodd-Frank Act may also be determined to be a Reciprocal Jurisdiction, and reinsurers that have their head office or are domiciled in any such Reciprocal Jurisdiction will not be required to post reinsurance collateral, provided they meet the minimum capital and financial strength requirements and comply with the other requirements of the Credit for Reinsurance Models.
2. The evaluation of non-U.S. jurisdictions as Qualified Jurisdictions and Reciprocal Jurisdictions will be conducted in accordance with the provisions of the Credit for Reinsurance Models and any other relevant guidance developed by the NAIC.
3. The evaluation of non-U.S. jurisdictions as Qualified Jurisdictions is intended as an outcomes-based comparison to financial solvency regulation under the NAIC Financial Regulation Standards and Accreditation Program (Accreditation Program), adherence to international supervisory standards, and relevant international guidance for recognition of reinsurance supervision. It is not intended as a prescriptive comparison to the NAIC Accreditation Program. In order for a Qualified Jurisdiction that is not subject to an in-force Covered Agreement to be evaluated as a Reciprocal Jurisdiction, that Qualified Jurisdiction must agree to recognize the states' approach to group supervision, including group capital, and other such requirements as provided under the Credit for Reinsurance Models.
4. The states shall evaluate the appropriateness and effectiveness of the reinsurance supervisory system within the Qualified Jurisdiction, both initially and on an ongoing basis, and consider the rights, benefits and the extent of reciprocal recognition afforded by the jurisdiction to reinsurers licensed and domiciled in the U.S. The determination of Qualified Jurisdiction status is based on the effectiveness of the entire reinsurance supervisory system within the jurisdiction.
5. Each state may evaluate a non-U.S. jurisdiction to determine if it is a Qualified Jurisdiction. A list of Qualified Jurisdictions will be published through the NAIC committee process. A state must consider this list in its determination of Qualified Jurisdictions, and if the state approves a jurisdiction not on this list, the state must thoroughly document the justification for approving this jurisdiction in accordance with the standards for approving Qualified Jurisdictions contained in the Credit for Reinsurance Models. The creation of this list does not constitute a delegation of regulatory authority to the NAIC. The regulatory authority to recognize a Qualified Jurisdiction resides solely in each state and the NAIC List of Qualified Jurisdictions is not binding on the states.
6. A list of Reciprocal Jurisdictions will be published through the NAIC committee process. Jurisdictions subject to an in-force Covered Agreement and states that meet the requirements of the NAIC Financial Standards and Accreditation Program are automatically included on the List of Reciprocal Jurisdictions. A state must consider this list in its determination of Reciprocal Jurisdiction status, and if the state approves a jurisdiction not on this list, the state must thoroughly document the justification for approving this jurisdiction in accordance with the standards for approving Reciprocal Jurisdictions contained in the Credit for Reinsurance Models.
7. In order to facilitate multi-state recognition of assuming insurers and to encourage uniformity among the states, the NAIC has initiated a process called "passporting," as discussed more fully below in paragraph 15 of Section III under which the commissioner has the discretion to defer to another state's determination that a jurisdiction

~~is a Qualified or Reciprocal Jurisdiction. Passporting is based upon individual state regulatory authority, and states are encouraged to act in a uniform manner in order to facilitate the passporting process. States are also encouraged to utilize the passporting process to reduce the amount of documentation filed with the states and reduce duplicate filings. The NAIC Lists of Qualified and Reciprocal Jurisdictions are intended to facilitate the passporting process.~~

8. Both Qualified Jurisdictions and Reciprocal Jurisdictions must agree to share information and cooperate with the state with respect to all applicable reinsurers domiciled within that jurisdiction. Critical factors in the evaluation process include but are not limited to the history of performance by assuming insurers in the applicant jurisdiction and any documented evidence of substantial problems with the enforcement of final U.S. judgments in the applicant jurisdiction. A jurisdiction will not be a Qualified Jurisdiction if the commissioner has determined that it does not adequately and promptly enforce final U.S. judgments or arbitration awards.
9. The determination of Qualified Jurisdiction status can only be made with respect to the reinsurance supervisory system in existence and applied by a non-U.S. jurisdiction at the time of the evaluation.
10. The NAIC and the states will communicate and coordinate with the FIO, USTR and other relevant federal authorities as appropriate with respect to the evaluation of the reinsurance supervisory systems of non-U.S. jurisdictions.

III. Procedure for Evaluation of Non-U.S. Jurisdictions

1. Initiation of Evaluation of the Reinsurance Supervisory System of an Individual Jurisdiction.

- a. Priority will be given to requests from the states and from those jurisdictions specifically requesting an evaluation by the NAIC.
- b. Formal notification of the NAIC's intent to initiate the evaluation process will be sent by the NAIC to the reinsurance supervisory authority in the jurisdiction selected, with copies to the FIO and other relevant federal authorities as appropriate. The NAIC will issue public notice on the NAIC website upon confirmation that the jurisdiction is willing to participate in the evaluation process. The NAIC will at this time request public comments with respect to consideration of the jurisdiction as a Qualified Jurisdiction. The process of evaluation and all related documentation are private and confidential matters between the NAIC and the applicant jurisdiction, unless otherwise provided in this document, subject to a preliminary confidentiality and information sharing agreement between the NAIC, relevant states and the applicant jurisdiction.
- c. Relevant U.S. state and federal authorities will be notified of the NAIC's decision to evaluate a jurisdiction.

2. Evaluation of Jurisdiction

- a. Evaluation Materials. The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will initiate evaluation of a jurisdiction's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology (Evaluation Materials). The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will begin by undertaking a review of the most recent Financial Sector Assessment Program (FSAP) Report prepared by the International Monetary Fund (IMF), including the Technical Note on Insurance Sector Supervision, and any other publicly available information regarding the laws, regulations, practices and procedures applicable to the reinsurance supervisory system. The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will also invite each jurisdiction or its designee to provide information relative to Section A through Section G of the Evaluation Methodology in order to update, complete or supplement publicly available information. The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** may also request or accept relevant information from reinsurers domiciled in the jurisdiction under review.
- b. The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will notify the jurisdiction of any information upon which the Working Group is relying. In that communication, the NAIC will invite the supervisory authority to compare the materials identified by the NAIC to the materials described in Appendix A and Appendix B, and provide information required to update the identified public information or supplement the public information, as required, to address the topics identified in Section A through Section G of the Evaluation Methodology. The use of publicly available information (e.g., the FSAP Report and/or the Insurance Sector Technical Note) is intended to lessen the burden on applicant jurisdictions by requiring the production of information that is readily available, while still addressing substantive areas of inquiry detailed in the Evaluation Methodology. The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group**'s review at this stage will be focused on how the jurisdiction's laws, regulations, administrative practices and procedures, and regulatory authorities regulate the financial solvency of its domestic reinsurers in comparison to key

principles underlying the U.S. financial solvency framework² and other factors set forth in the Evaluation Methodology.

- c. After reviewing the Evaluation Materials, the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** may request that the applicant jurisdiction submit supplemental information as necessary to determine whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. The Working Group will address specific questions directly with the jurisdiction related to items detailed in the Evaluation Methodology that are not otherwise addressed in the Evaluation Materials.
- d. The NAIC will request that all responses from the jurisdiction being evaluated be provided in English. Any responses submitted with respect to a jurisdiction's laws and regulations should be provided by a person qualified in that jurisdiction to provide such analyses and, in the case of statutory analysis, qualified to provide such legal interpretations, to ensure that the jurisdiction is providing an accurate description.
- e. The NAIC does not intend to review confidential company-specific information in this process, and has focused the procedure on reviewing publicly available information. No confidential company-specific information shall be disclosed or disseminated during the course of the jurisdiction's evaluation unless specifically requested, subject to appropriate confidentiality safeguards addressed in a preliminary confidentiality and information-sharing agreement. If no such agreement is executed or the jurisdiction is unable to enter into such an agreement under its regulatory authority, the NAIC will not accept any confidential company-specific information.

3. NAIC Review of Evaluation Materials

- a. NAIC staff and/or outside consultants with the appropriate knowledge, experience and expertise will review the jurisdiction's Evaluation Materials.
- b. Expenses with respect to the evaluations will be absorbed within the NAIC budget. This will be periodically reviewed.
- c. Timeline for review. A project management approach will be developed with respect to the overall timeline applicable to each evaluation.
- d. Upon completing its review of the Evaluation Materials, the internal reviewer(s) will report initial findings to the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group**, including any significant issues or concerns identified. This report will be included as part of the official documentation of the evaluation. Copies of the initial findings may also be made available to FIO and other relevant federal authorities subject to appropriate confidentiality and information-sharing agreements being in place.

4. Discretionary On-site Review

- a. The NAIC may ask the jurisdiction under consideration for the opportunity to perform an on-site review of the jurisdiction's reinsurance supervisory system. Factors that the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will consider in determining whether an on-site review is appropriate include the completeness of the information provided by the jurisdiction under review, the general familiarity of the jurisdiction by the NAIC staff or other state regulators participating in the review based on prior conduct or dealings with the jurisdiction, and the results of other evaluations

² The U.S. financial solvency framework is understood to refer to the key elements provided in the NAIC Financial Regulation Standards and Accreditation Program. Appendix A and Appendix B are derived from this framework.

performed by other regulatory or supervisory organizations. If the review is performed, it will be coordinated through the NAIC, utilizing personnel with the appropriate knowledge, experience and expertise. Individual states may also request that representatives from their state be added to the review team.

- b. The review team will communicate with the supervisory authority in advance of the on-site visit to clearly identify the objectives, expectations and procedures with respect to the review, as well as any significant issues or concerns identified within the review of the Evaluation Materials. Information to be considered during the on-site review includes, but is not limited to, the following:
 - i. Interviews with supervisory authority personnel.
 - ii. Review of organizational and personnel practices.
 - iii. Any additional information beneficial to gaining an understanding of document and communication flows.
- c. Upon completing the on-site review, the reviewer(s) will report initial findings to the **Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group**, including any significant issues or concerns identified. This report will be included as part of the official documentation of the evaluation.

5. Standard of Review

The evaluation is intended as an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards and relevant international guidance for recognition of reinsurance supervision. The standard for qualification of a jurisdiction is that the NAIC must reasonably conclude that the jurisdiction's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is deemed acceptable for purposes of reinsurance collateral reduction, that the jurisdiction's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that the jurisdiction's laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models.

6. Additional Information to be Considered as Part of Evaluation

The NAIC may also consider information from sources other than the jurisdiction under review. This information includes:

- a. Documents, reports and information from appropriate international, U.S. federal and U.S. state authorities.
- b. Public comments from interested parties.
- c. Rating agency information.
- d. Any other relevant information.

7. Preliminary Evaluation Report

- a. NAIC staff and/or outside consultants will prepare a Preliminary Evaluation Report for review by the **Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group**. This preliminary report will be private and confidential (i.e., may only be reviewed by Working Group members, designated NAIC staff, consultants, the states, the FIO and other relevant federal authorities that specifically request to be kept apprised of this information, provided that such entities have entered into a preliminary

confidentiality and information-sharing agreement with the foreign jurisdiction. Any outside consultants retained by the NAIC will be required to enter into a confidentiality and nondisclosure agreement.)

- b. The report will be prepared in a consistent style and format to be developed by NAIC staff. It will contain detailed advisory information and recommendations with respect to the evaluation of the jurisdiction's reinsurance supervisory system and the documented practices and procedures thereunder. The report will contain a recommendation as to whether the NAIC should recognize the jurisdiction as a Qualified Jurisdiction.
- c. All workpapers and reports, including supporting documentation and data, produced as part of the evaluation process are the property of the NAIC and shall be maintained at the NAIC Central Office. In the event that the NAIC shall come into possession of any confidential information, the information shall be held subject to a confidentiality and information-sharing agreement, which will outline the appropriate actions necessary to protect the confidentiality of such information.

8. Review of Preliminary Evaluation Report

- a. The ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group's review of the Preliminary Evaluation Report will be held in regulator-to-regulator session in accordance with the NAIC Policy Statement on Open Meetings.
- b. The ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group will make a preliminary determination as to whether the jurisdiction under consideration satisfies the Standard of Review and is deemed acceptable to be included on the NAIC List of Qualified Jurisdictions. If the preliminary determination is that the jurisdiction should not be included on the NAIC List of Qualified Jurisdictions, the ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group will set forth its specific findings and identify those areas of concern with respect to this determination.
- c. The results of the Preliminary Evaluation Report will be immediately communicated in written form to the supervisory authority of the jurisdiction under review.

9. Opportunity to Respond to Preliminary Evaluation Report

- a. Upon receipt of the Preliminary Evaluation Report, the supervisory authority will have an opportunity to respond to the initial findings and determination. This is not intended to be a formal appeals process that would initiate U.S. state administrative due process requirements.
- b. The ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group will consider any response, and will proceed to prepare its Final Evaluation Report. The ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group will consider the Final Evaluation Report for approval in regulator-to-regulator session in accordance with the NAIC Policy Statement on Open Meetings. This report will be approved upon an affirmative vote of a majority of the members in attendance at this meeting.
- c. Upon approval of the Final Evaluation Report, the ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group will issue a public statement and a summary of its findings with respect to its determination. At this time, the Working Group will release the summary for public comment. The detailed report will be a confidential, regulator-only document. The report may be shared with any state indicating that it is considering relying on the NAIC List of Qualified Jurisdictions and has entered into a preliminary confidentiality and information-sharing agreement with the foreign jurisdiction.

10. NAIC Determination ~~Regarding~~ List of Qualified Jurisdictions

- a. Once the ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group has adopted its Final Evaluation Report, it will submit the summary of its findings and its recommendation to the Reinsurance (E) Task Force at an open meeting. Upon approval by the Reinsurance (E) Task Force, the summary and recommendation will be submitted to the Executive (EX) Committee and Plenary, as well as to the FIO, USTR and other relevant federal authorities for consultation purposes. Upon approval as a Qualified Jurisdiction by the Executive (EX) Committee and Plenary, the jurisdiction will be added to the NAIC List of Qualified Jurisdictions. The NAIC will maintain the List of Qualified Jurisdictions on its public website and in other appropriate NAIC publications.
- b. In the event that a jurisdiction is not approved as a Qualified Jurisdiction, the supervisory authority will be eligible for reapplication at the discretion of the NAIC.
- c. Upon final adoption of the ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group's determination with respect to a jurisdiction, the Final Evaluation Report will be made available to individual U.S. state insurance regulators upon request and confirmation that the information contained therein will remain confidential.

11. Memorandum of Understanding (MOU)

- a. A Qualified Jurisdiction must agree to share information and cooperate on a confidential basis with the U.S. state insurance regulatory authority with respect to all certified reinsurers domiciled within that jurisdiction.
- b. The International Association of Insurance Supervisors (IAIS) Multilateral Memorandum of Understanding (MMoU) is the recommended method under which a Qualified Jurisdiction will agree to share information and cooperate with U.S. state insurance regulatory authorities. However, until such time as a state has been approved as a signatory to the MMoU by the IAIS, the state may rely on an MOU entered into by a "Lead State" designated by the NAIC. This Lead State will act as a conduit for information between the Qualified Jurisdiction and other states that have certified a reinsurer domiciled and licensed in that jurisdiction, and will share information with these states consistent with the terms governing the further sharing of information included in the NAIC Master Information Sharing and Confidentiality Agreement, and, as applicable, in the applicable IAIS MMoU, or in a bilateral MOU between the Lead State and the Qualified Jurisdiction ~~and pursuant to the NAIC Master Information Sharing and Confidentiality Agreement~~. The jurisdiction must also confirm in writing that it is willing to permit this Lead State to act as the contact for purposes of obtaining information concerning its certified reinsurers, provided the that Lead State share that information with the other states requesting the information only in a manner consistent with the terms governing the further sharing of information included, ~~as in the applicable, in the~~ IAIS MMoU or bilateral MOU between the Lead State and the Qualified Jurisdiction.
- c. If a Qualified Jurisdiction has not been approved by the IAIS ~~for use of as a party to~~ the MMoU, it must enter into an MOU with a Lead State. The MOU ~~will also~~ must provide for appropriate confidentiality safeguards with respect to the information shared between the jurisdictions.
- d. The NAIC and the states will communicate and coordinate with the FIO, USTR and other relevant federal authorities as appropriate with respect to this process.

12. Process for Evaluation after Initial Approval

- a. The process for determining whether a non-U.S. jurisdiction is a Qualified Jurisdiction is ongoing and subject to periodic review. The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will perform a yearly review of Qualified Jurisdictions to determine whether there have been any significant changes over the prior year that might affect their status as Qualified Jurisdictions. This yearly review shall follow such abbreviated process as may be determined by the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** to be appropriate. It shall include a review of the jurisdiction's status as a Reciprocal Jurisdiction if the jurisdiction has been recognized by the NAIC as a Reciprocal Jurisdiction through the process established in paragraph 13.
- b. Qualified Jurisdictions must provide the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** with notice of any material change in the applicable reinsurance supervisory system that may affect the status of the Qualified Jurisdiction. A U.S. jurisdiction should also notify the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** if it receives notice of any material change in the applicable reinsurance supervisory system, or any adverse developments with respect to enforcement of final U.S. judgments, that may affect the status of the Qualified Jurisdiction. U.S. ceding insurers may also initiate notice to the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** if they receive notice of any material change in the applicable reinsurance supervisory system or any adverse developments with respect to enforcement of final U.S. judgments. Upon receipt of any such notice, the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will consider whether it is necessary to re-evaluate the status of the Qualified Jurisdiction. Any review will be conducted in accordance with the procedure set forth in paragraph 14.
- ~~e.a. If the ~~Qualified Jurisdiction Working Group~~ finds the jurisdiction to be out of compliance at any time with the requirements to be a Qualified Jurisdiction, the specific reasons will be documented in a report to the jurisdiction under review, and the status as a Qualified Jurisdiction may be placed on probation, suspended or revoked.~~
- ~~d.c.~~ The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will monitor those jurisdictions that have been approved as Qualified or Reciprocal Jurisdictions by individual states, but are not included on the applicable NAIC List ~~of Qualified Jurisdictions~~.

13. Review of Qualified Jurisdictions as **Potential** Reciprocal Jurisdictions

- a. In ~~undertaking the evaluation of whether to designate~~ a Qualified Jurisdiction as a Reciprocal Jurisdiction, the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** shall utilize such processes and procedures as outlined in the immediately-preceding paragraphs 1 – 12 of Section III. *Procedure for Evaluation of Non-U.S. Jurisdictions* such as the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** deems is appropriate. Specifically, the ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will use processes and procedures outlined in paragraph 1 (*Initiation of Evaluation of the Reinsurance Supervisory System of an Individual Jurisdiction*), paragraph 3 (*NAIC Review of Evaluation Materials*), paragraph 7 (*Preliminary Evaluation Report*), paragraph 8 (*Review of Preliminary Evaluation Report*), paragraph 9 (*Opportunity to Respond to Preliminary Evaluation Report*), paragraph 10 (*NAIC Determination regarding List of Qualified Jurisdictions*), paragraph 11 (*Memorandum of Understanding*) and paragraph 12 (*Process for Evaluation after Initial Approval*), as modified for use with applicants for Reciprocal Jurisdiction status.

- b. A Qualified Jurisdiction may not be reviewed for inclusion on the NAIC List of Reciprocal Jurisdictions, unless it has undergone the *Evaluation Methodology* outlined in Section IV, and remains in good standing with the NAIC as a Qualified Jurisdiction. The ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group may, if it determines an extended review period to be appropriate after its initial approval of a new Qualified Jurisdiction, defer consideration of that jurisdiction as a possible Reciprocal Jurisdiction until there has been sufficient United States experience with that jurisdiction and its Certified Reinsurers that the Working Group believes it is appropriate to progress from collateral reduction to collateral elimination. Nothing in this process requires a finding that a Qualified Jurisdiction meets the standards for recognition as a Reciprocal Jurisdiction, and the ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group may base ~~such recommendations~~ its determination on all relevant information, which may include factors not specifically included in this ~~Process~~ for Evaluating Qualified and Reciprocal Jurisdictions.
- c. A list of Reciprocal Jurisdictions will be published through the NAIC committee process. Jurisdictions subject to an in-force ~~C~~ covered a ~~Agreement~~ and states that meet the requirements of the NAIC Financial Standards and Accreditation Program are automatically included on the NAIC List of Reciprocal Jurisdictions. In making its recommendation with respect to whether a Qualified Jurisdiction that is not automatically designated as a Reciprocal Jurisdiction should be added to the NAIC List of Reciprocal Jurisdictions, the ~~Qualified Jurisdiction Working Group~~ Mutual Recognition of Jurisdictions (E) Working Group shall undertake the following analysis in making its evaluation:
- i. The Qualified Jurisdiction must confirm that an insurer which has its head office or is domiciled in that jurisdiction shall receive credit for reinsurance ceded to a U.S.-domiciled assuming insurer in the same manner as ~~the same insurer would receive~~ credit for reinsurance assumed by an assuming ~~insurers~~ domiciled in that jurisdiction ~~is received by United States ceding insurers~~;
 - ii. The Qualified Jurisdiction must confirm that it does not require a U.S.-domiciled assuming insurer to establish or maintain a local presence as a condition for entering into a reinsurance agreement with any ceding insurer subject to regulation by that jurisdiction or as a condition to allow the ceding insurer to recognize credit for such reinsurance;
 - iii. The Qualified Jurisdiction must recognize the U.S. state regulatory approach to group supervision and group capital, by providing written confirmation by its competent regulatory authority that insurance groups that are domiciled or maintain their worldwide headquarters in ~~this state or a nother~~ jurisdiction accredited by the NAIC shall be subject only to their U.S. home jurisdiction's worldwide prudential insurance group supervision, including worldwide group governance, solvency and capital, and reporting, as applicable, and will not be subject to group supervision by the Qualified Jurisdiction at the level of the worldwide parent undertaking of the insurance or reinsurance group ~~by the Qualified Jurisdiction~~;
 - iv. The Qualified Jurisdiction must provide written confirmation by its competent regulatory authority that information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the states in accordance with a memorandum of understanding or similar document between a state and the Qualified Jurisdiction, including but not limited to the IAIS MMoU or other multilateral memoranda of understanding coordinated by the NAIC This requirement may be satisfied by an MOU with a Lead State,

which shall provide for appropriate confidentiality safeguards with respect to the information shared between the jurisdictions, similar to the MOU requirement outlined in paragraph 11 of this section III; and

- v. The Qualified Jurisdiction must confirm that it will provide to the states on an annual basis confirmation that each eligible assuming insurer that is domiciled in the Qualified Jurisdiction continues to comply with the requirements set forth in in Section 9C(2) and (3) of Model #786; i.e., must maintain, on an ongoing basis, minimum capital and surplus of no less than \$250,000,000, and ~~maintains on an ongoing basis~~ the required minimum solvency or capital ratio, as applicable.
- d. In order to satisfy the requirements of subsection (c) above, the chief insurance supervisor of the Qualified Jurisdiction being evaluated as a Reciprocal Jurisdiction may provide the NAIC with a written letter confirming, as follows:

[Jurisdiction] is a Qualified Jurisdiction under the NAIC *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786), and is currently in good standing on the *NAIC List of Qualified Jurisdictions*. As the lead insurance regulatory supervisor for [Jurisdiction], I hereby confirm to the National Association of Insurance Commissioners (NAIC) and the chief insurance regulators of the 50 states, the District of Columbia and five U.S. territories the following:

- An insurer which has its head office or is domiciled in [Jurisdiction] shall receive credit for reinsurance ceded to a U.S.-domiciled assuming insurer in the same manner as credit would be granted for reinsurance assumed by insurers domiciled in [Jurisdiction] ~~is received by United States ceding insurers~~. [Jurisdiction] does not require a U.S.-domiciled assuming insurer to establish or maintain a local presence as a condition for entering into a reinsurance agreement with any ceding insurer subject to regulation by [Jurisdiction] or as a condition to allow the ceding insurer to recognize credit for such reinsurance.
- [Jurisdiction] recognizes the U.S. state regulatory approach to group supervision and group capital, and confirms that insurance groups that are domiciled or maintain their worldwide headquarters in jurisdictions accredited by the NAIC shall be subject only to their U.S. home jurisdiction's worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, and will not be subject to group supervision at the level of the worldwide parent undertaking of the insurance or reinsurance group by the ~~-[Jurisdiction]~~.
- [Jurisdiction] confirms that information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the states in accordance with a memorandum of understanding or similar document between a state and the [Jurisdiction].
- [Jurisdiction] will annually provide to the states confirmation that applicable assuming insurers domiciled in [Jurisdiction] maintain minimum capital and surplus of no less than \$250,000,000, and maintain on an ongoing basis the required minimum solvency or capital ratio, as applicable.

- Finally, I confirm that [Jurisdiction] will immediately notify the NAIC upon any changes to the assurances provided in this letter.

- e. The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will perform a due diligence review of available public and confidential documents to confirm that to the best of its determination, the representations in the letter are true and accurate, and will prepare for the review by the Reinsurance Task Force a Summary of Findings and Determination recommending that the Qualified Jurisdiction be recognized as a Reciprocal Jurisdiction. Upon approval by the Task Force, the Summary of Findings and Determination ~~must be adopted by~~ will be submitted for a vote of the NAIC Executive (EX) Committee and Plenary for inclusion on the List of Reciprocal Jurisdictions.
- f. The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group**, working in coordination with the Qualified Jurisdiction and the Reinsurance Financial Analysis (E) Working Group, must make a determination on a minimum solvency or capital ratio under which reinsurers licensed and domiciled in the Qualified Jurisdiction may assume insurance from U.S. ceding companies without posting reinsurance collateral. The applicable minimum solvency or capital ratio must be an effective measure of solvency, comparable to either an NAIC risk-based capital (RBC) ratio of three hundred percent (300%) of the authorized control level, or one hundred percent (100%) of the solvency capital requirement (SCR) as calculated under the Solvency II Directive issued by the European Union, giving due consideration to any applicable equivalency assessment conducted by the European Insurance and Occupational Pensions Authority (EIOPA) on the Qualified Jurisdiction with respect to Solvency II.

14. Termination of Status as Qualified and/or Reciprocal Jurisdiction

- a. ~~If the Qualified Jurisdiction Working Group finds the Qualified Jurisdiction to be out of compliance at any time with the requirements to be a Qualified Jurisdiction, the specific reasons will be documented in a report to the jurisdiction under review. The Qualified Jurisdiction Working Group would then report any concerns to its parent the Reinsurance (E) Task Force for further discussion and communication with appropriate federal and/or international authorities, and the status as a Qualified Jurisdiction may be placed on probation, suspended or revoked by the NAIC.~~
- b. ~~Except for Reciprocal Jurisdictions entitled to automatic recognition, a jurisdiction's status as a Reciprocal Jurisdiction may be placed on probation, suspended or revoked for good cause in the same manner as provided for Qualified Jurisdictions under paragraph 12. If cause is found to question the fitness of a Reciprocal Jurisdiction that is subject to an in-force Covered Agreement, or its compliance with applicable requirements of the covered agreement, the Qualified Jurisdiction Working Group would report any concerns to its parent the Reinsurance (E) Task Force for further discussion and communication with appropriate federal and/or international authorities. It is intended that compliance with the covered agreement will ultimately be determined by the Joint Committee established under the covered agreement, or through termination of the covered agreement by the parties to the covered agreement.~~
- c. ~~Both Qualified Jurisdictions and Reciprocal Jurisdictions that are not subject to a covered agreement are obligated to provide notice to the Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group of any applicable changes to their reinsurance supervisory system or changes to the assurances provided in the letter set forth in paragraph 13. States and U.S. ceding insurers may also provide~~

notice of such changes to the Working Group. Upon notice of any such material changes, the Working Group will meet in regulator-only session to determine if these changes are in fact material to continuing recognition by the NAIC as either a Qualified or Reciprocal Jurisdiction. The Working Group will work directly with the jurisdiction to address any issues that have been identified. If these issues cannot be resolved through this regulator-only dialogue, then the Working Group will report its recommendation to the Reinsurance Task Force, which will consider a suspension of the jurisdiction's status as a Qualified or Reciprocal Jurisdiction in open session. The Task Force will then make a recommendation to the NAIC Plenary on the action, if any, to be taken, which may include placing the Qualified or Reciprocal Jurisdiction's status on probation, or suspending or revoking its status.

- d. If a Qualified or Reciprocal Jurisdiction's status is placed on probation by the NAIC, the material change will be noted in an update to its Summary of Finding and Determination in order to provide notice to the states and U.S. ceding insurers of this material change. If the NAIC decides to suspend or revoke its status, the jurisdiction may be given a reasonable time period, no more than 18 months, to rectify its noncompliance with the standards and return it to good standing. Once the NAIC's suspension or revocation takes effect, it is expected that the same action will be taken by the respective states that have recognized the jurisdiction as a Qualified or Reciprocal Jurisdiction.
- e. There is no administrative right to appeal the decision of the NAIC with respect to the revocation of status as a Qualified or Reciprocal Jurisdiction, but the jurisdiction can apply for reinstatement after a one-year period.
- b.f. During the period in which a Qualified or Reciprocal Jurisdiction's status has been suspended by a state, any new reinsurance assumed by a reinsurer domiciled in that jurisdiction from a ceding insurer domiciled in that state will not be eligible for credit unless the transaction qualifies for credit on the basis of security posted by the ceding insurer or some other basis that does not depend on recognition of the jurisdiction as a Qualified or Reciprocal Jurisdiction. However, suspension does not affect credit for reinsurance that was already in force.
- g. If a Qualified or Reciprocal Jurisdiction's status is revoked by a state, then those Certified Reinsurers and/or Reciprocal Jurisdiction Reinsurers domiciled in that jurisdiction ~~no longer qualify for that status, which generally must obligates them to post within three months of this determination~~ one hundred percent (100%) collateral on all their liabilities assumed from ceding insurers domiciled in that state. ~~The state has the option to suspend a reinsurer's certification indefinitely, in lieu of revocation, in which case the obligation to post collateral applies prospectively to all new, renewed and amended reinsurance agreements. If the reinsurer's eligibility is revoked, it must be granted at least three months after the effective date of the revocation to cure any deficiency in collateral, unless exceptional circumstances make a shorter period is necessary for policyholder and other consumer protection.~~
- h. The factors used in the evaluation of Reciprocal Jurisdictions are not the same as are utilized in the evaluation of Qualified Jurisdictions. A Qualified Jurisdiction that has been approved by the NAIC as a Reciprocal Jurisdiction may have its status as a Reciprocal Jurisdiction either suspended or revoked but still meet the requirements to be a Qualified Jurisdiction. However, if a Reciprocal Jurisdiction that is not subject to a covered agreement has its status as a Qualified Jurisdiction revoked, it cannot maintain its status as a Reciprocal Jurisdiction, because it must be a Qualified Jurisdiction to meet the requirements of a Reciprocal Jurisdiction.

15. Passporting Process for Certified and Reciprocal Jurisdiction Reinsurers

- a. In order to facilitate multi-state recognition of assuming insurers and to encourage uniformity among the states, the NAIC has initiated a process called “passporting” under which the commissioner has the discretion to defer to another state’s determination with respect to the requirements for both Certified Reinsurers and Reciprocal Jurisdiction Reinsurers. Passporting is based upon individual state regulatory authority, and states are encouraged to act in a uniform manner in order to facilitate the passporting process. States are also encouraged to utilize the passporting process to reduce the amount of documentation filed with the states and reduce duplicate filings.
- b. The passporting process is facilitated through the Reinsurance Financial Analysis (E) Working Group (ReFAWG). It is intended that ReFAWG will help facilitate multi-state recognition of Certified Reinsurers and Reciprocal Jurisdiction Reinsurers and address issues of uniformity among the states, both with respect to initial application and subsequent changes in rating or status. The ReFAWG Review Process is set forth in the *ReFAWG Procedures Manual*.
- c. Section 9C(7) of the *Credit for Reinsurance Model Regulation* (#786) provides that the “assuming insurer’s supervisory authority must confirm to the commissioner on an annual basis that the assuming insurer complies with the requirements set forth in Paragraphs (2) [i.e., minimum capital and surplus of no less than \$250 million] and (3) [i.e., minimum solvency or capital ratio] of this subsection.” Section 9E(1) of Model #786 then provides that “The commissioner may accept financial documentation filed with another NAIC accredited jurisdiction or with the NAIC in satisfaction of the requirements of Subsection C.” A Reciprocal Jurisdiction may satisfy the requirements of Section 9C(7) of Model #786 either by providing the information required by Section 9C(7) itself, or by providing an assuming insurer domiciled in that Reciprocal Jurisdiction with a document confirming the required information, which the assuming insurer would file annually. ~~annually filing~~—With either filing method, in lieu of filing the required information directly with the domiciliary states of each of the reinsurer’s U.S. ceding companies, ~~with the information may~~ould be filed with each state in which such assuming insurer has reinsured a ceding insurer domiciled in that state it is doing business, or with either ~~the~~its Lead State or the NAIC, which will share this documentation with the other states through the ReFAWG Review Process in satisfaction of their respective filing requirements. ~~Each state may accept financial documentation filed with the Lead State or with the NAIC.~~

IV. Evaluation Methodology

The Evaluation Methodology was developed to be consistent with the provisions of the NAIC Credit for Reinsurance Models. It is intended to provide an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards and relevant international guidance for recognition of reinsurance supervision. Although the methodology includes a comparison of the jurisdiction's supervisory system to a number of key elements from the NAIC Accreditation Program, it is not intended as a prescriptive assessment under the NAIC Accreditation Program. Rather, the NAIC Accreditation Program simply provide the framework for the outcomes-based analysis. The NAIC will evaluate the appropriateness and effectiveness of the reinsurance supervisory system within the jurisdiction and consider the rights, benefits and the extent of reciprocal recognition afforded by the jurisdiction to reinsurers licensed and domiciled in the U.S. The determination of a Qualified Jurisdiction is based on the effectiveness of the entire reinsurance supervisory system within the jurisdiction.

The Evaluation Methodology consists of the following:

- Section A: Laws and Regulations
- Section B: Regulatory Practices and Procedures
- Section C: Jurisdiction's Requirements Applicable to U.S.-Domiciled Reinsurers
- Section D: Regulatory Cooperation and Information Sharing
- Section E: History of Performance of Domestic Reinsurers
- Section F: Enforcement of Final U.S. Judgments
- Section G: Solvent Schemes of Arrangement

This information will be the basis for the Final Evaluation Report and the determination of whether the jurisdiction will be included on the NAIC List of Qualified Jurisdictions.

Section A: Laws and Regulations

The NAIC will review publicly available information, as well as information provided by an applicant jurisdiction with respect to its laws and regulations, in an effort to evaluate whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. This will include a review of elements believed to be basic building blocks for sound insurance/reinsurance regulation.³ A jurisdiction's effectiveness under Section A may be demonstrated through law, regulation or established practice that implements the general authority granted to the jurisdiction, or any combination of laws, regulations or practices that meet the objective.

The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will initiate evaluation of a jurisdiction's regulatory system by gathering and undertaking a review of the most recent FSAP Report, ROSC and any other publicly available information regarding the laws, regulations, practices and procedures applicable to the reinsurance supervisory system. The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will simultaneously invite each jurisdiction (or its designee) to provide information relative to Section A (and other sections, as relevant) to assist the NAIC in evaluating its laws and regulations. The NAIC will review this information in conjunction with Appendix A, which provides more detailed guidance with respect to elements the NAIC intends to consider on an outcomes basis in the evaluation under this section. Appendix A is not intended as a prescriptive checklist of requirements a jurisdiction must meet in order to be a Qualified Jurisdiction. Rather, it is provided in an effort to facilitate an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program. An applicant jurisdiction is requested to address the following information, which the NAIC will consider, at a minimum, in determining whether the outcomes achieved by the jurisdiction's laws and regulations meet an acceptable level of effectiveness for the jurisdiction to be included on the NAIC List of Qualified Jurisdictions:

1. Confirmation of the jurisdiction's most recent FSAP Report, including relevant updates with respect to descriptions or elements of the FSAP Report in which changes have occurred since the assessment or where information might otherwise be outdated.
2. Confirmation of the jurisdiction's ROSC, including relevant updates with respect to descriptions or elements of the ROSC in which changes have occurred since the report was completed or where information might otherwise be outdated.
3. If materials responsive to the topics under review have been provided in response to information exchanges between the jurisdiction under review and the NAIC, such prior responses may be cross-referenced provided updates are submitted, if required to address changes in laws or procedures.
4. Any other information, descriptions or responses the jurisdiction believes would be beneficial to the NAIC's evaluation process in order to address, on an outcomes basis, the key elements described within Appendix A.

The NAIC will review the information provided by the applicant jurisdiction and determine whether it is adequate to reasonably conclude whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. After reviewing the initial submission, the NAIC may request that the applicant jurisdiction submit supplemental information as necessary in order to make this determination. An applicant jurisdiction is

³ The basic considerations under this section are derived from Model #786, Section 8C(2), which include: (a) the framework under which the assuming reinsurer is regulated; (b) the structure and authority of the jurisdiction's reinsurance supervisory authority with regard to solvency regulation requirements and financial surveillance; (c) the substance of financial and operating standards for reinsurers domiciled in the jurisdiction; and (d) the form and substance of financial reports required to be filed or made publicly available by reinsurers domiciled in the jurisdiction and the accounting principles used.

strongly encouraged to provide thorough, detailed and current information in its initial submission in order to minimize the number and extent of supplemental information requests from the NAIC with respect to Section A of this Evaluation Methodology. The NAIC will provide a complete description in the Final Evaluation Report of the information provided in the Evaluation Materials, and any updates or other information that have been provided by the applicant jurisdiction.

Section B: Regulatory Practices and Procedures

Section B is intended to facilitate an evaluation of whether the jurisdiction effectively employs baseline regulatory practices and procedures to supplement and support enforcement of the jurisdiction's financial solvency laws and regulations described in Section A. This evaluation methodology recognizes that variation may exist in practices and procedures across jurisdictions due to the unique situations each jurisdiction faces. Jurisdictions differ with respect to staff and technology resources that are available, as well as the characteristics of the domestic industry regulated. A determination of effectiveness may be achieved using various financial solvency oversight practices and procedures. This evaluation is not intended to be prescriptive in nature.

The NAIC will utilize the information provided by the jurisdiction as outlined under Section A in completing this section of the evaluation. The NAIC will review this information in conjunction with Appendix B, which provides more detailed guidance with respect to elements the NAIC intends to consider on an outcomes basis in the evaluation under this section. Appendix B is not intended as a prescriptive checklist of requirements a jurisdiction must meet in order to be a Qualified Jurisdiction. Rather, it is provided in an effort to facilitate an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program. An applicant jurisdiction should also provide any other information, descriptions or responses the jurisdiction believes would be beneficial to the NAIC's evaluation process in order to address, on an outcomes basis, the key elements described within Appendix B.

Section C: Jurisdiction's Requirements Applicable to U.S. Domiciled Reinsurers

The jurisdiction is requested to describe and explain the rights, benefits and the extent of reciprocal recognition afforded by the non-U.S. supervisory authority to reinsurers licensed and domiciled in the U.S.

Section D: Regulatory Cooperation and Information-Sharing

The Credit for Reinsurance Models require the supervisory authority to share information and cooperate with the U.S. state insurance regulators with respect to all certified reinsurers domiciled within their jurisdiction. The jurisdiction is requested to provide an explanation of the supervisory authority's ability to cooperate, share information and enter into an MOU with U.S. state insurance regulators and confirm that they are willing to enter into an MOU. This should include information with respect to any existing MOU with U.S. state and/or federal authorities that pertain to reinsurance. Both the jurisdiction and the states may rely on the IAIS MMoU to satisfy this requirement, and any states that have not yet been approved by the IAIS as a signatory to the MMoU may rely on an MOU entered into by a Lead State with the jurisdiction until such time that the state has been approved as a signatory to the IAIS MMoU. The NAIC and the states will communicate and coordinate with the FIO, USTR and other relevant federal authorities as appropriate with respect to this process.

Section E: History of Performance of Domestic Reinsurers

The jurisdiction is requested to provide a general description with respect to the historical performance of reinsurers domiciled in the jurisdiction. The NAIC does not intend to review confidential company-specific information under this section. Rather, it is intended that any information provided would be publicly available, unless specifically

addressed with the jurisdiction under review. This discussion should address, at a minimum, the following information:

- a. Number of reinsurers domiciled in the jurisdiction, and a list of any reinsurers domiciled in the jurisdiction that have and maintain, on an ongoing basis, minimum capital and surplus, or its equivalent, of no less than \$250,000,000.
- b. Up to a 10-year history of any regulatory actions taken against specific reinsurers.
- c. Up to a 10-year history listing any reinsurers that have gone through insolvency proceedings, including the size of each insolvency and a description of the related outcomes (e.g., reinsurer rehabilitated or liquidated, payout percentage of claims to priority classes, payout percentage of claims to domestic and foreign claimants).
- d. Up to a 10-year history of any significant industry-wide fluctuations in capital or profitability with respect to domestic reinsurers.

Drafting Note: The NAIC will determine the appropriate time period for review on a case-by-case basis with respect to this information.

Section F: Enforcement of Final U.S. Judgments

The NAIC has previously collected information from a number of jurisdictions with respect to enforcement of final U.S. judgments. The jurisdiction is also requested to provide a current description or explanation of any restrictions with respect to the enforcement of final foreign judgments in the jurisdiction. Based on the foregoing information, the NAIC will make an assessment of the effectiveness of the ability to enforce final U.S. judgments in the jurisdiction. This will include a review of the status, interpretations, application and enforcement of various treaties, conventions and international agreements with respect to final judgments, arbitration and choice of law. The ~~Qualified Jurisdiction Working Group~~ **Mutual Recognition of Jurisdictions (E) Working Group** will monitor the enforcement of final U.S. judgments and the Qualified Jurisdiction is requested to notify the NAIC of any developments in this area.

Section G: Solvent Schemes of Arrangement

The jurisdiction is requested to provide a description of any legal framework that allows reinsurers domiciled in the jurisdiction to propose or participate in any solvent scheme of arrangement or similar procedure. In addition, the jurisdiction is requested to provide a description of any solvent scheme of arrangement or similar procedure that a domestic reinsurer has proposed or participated in and the outcome of such procedure.

V. Appendices: Specific Guidance with Respect to Section A and Section B

It is important to note that Part IV, Section A: Laws and Regulations, and Part IV, Section B: Regulatory Practices and Procedures, are derived from the NAIC Financial Regulation Standards and Accreditation Program, which is intended to establish and maintain standards to promote sound insurance company financial solvency regulation among the U.S. states. As such, the NAIC Accreditation Program requires the states to employ laws, regulations and administrative policies and procedures substantially similar to the NAIC accreditation standards in order to be considered an accredited state.

However, it is not the intent of the Evaluation Methodology to require applicant jurisdictions to meet the standards required by the NAIC for accreditation. Instead, Section A and Section B (and their corresponding appendices) are intended to provide a framework to facilitate an outcomes-based evaluation by the NAIC and state insurance regulators of the effectiveness of the jurisdiction's supervisory authority. This framework consists of a description of the jurisdiction's laws, regulations, practices and procedures applicable to the supervision of its domestic reinsurers. The amount of detail provided within these appendices should not be interpreted as specific requirements that must be met by the applicant jurisdiction. Rather, the information is intended to provide direction to the applicant jurisdiction in an effort to facilitate a complete response and increase the efficiency and timeliness of the evaluation process.

Appendix A: Laws and Regulations

1. Examination Authority

Does the jurisdiction have the authority to examine its domestic reinsurers? This description should address the following:

- a. Frequency and timing of examinations and reports.
- b. Guidelines for examination.
- c. Whether the jurisdiction has the authority to examine reinsurers whenever it is deemed necessary.
- d. Whether the jurisdiction has the authority to have complete access to the reinsurer's books and records and, if necessary, the records of any affiliated company.
- e. Whether the jurisdiction has the authority to examine officers, employees and agents of the reinsurer when necessary with respect to transactions directly or indirectly related to the reinsurer under examination.
- f. Whether the jurisdiction has the authority to share confidential information with U.S. state insurance regulatory authorities, provided that the recipients are required, under their law, to maintain its confidentiality.

2. Capital and Surplus Requirement

Does the jurisdiction have the authority to require domestic reinsurers to maintain a minimum level of capital and surplus to transact business? This description should address the following:

- a. Whether the jurisdiction has the authority to require reinsurers to maintain minimum capital and surplus, including a description of such minimum amounts.
- b. Whether the jurisdiction has the authority to require additional capital and surplus based on the type, volume and nature of reinsurance business transacted.
- c. Capital requirements for reinsurers, including reports and a description of any specific levels of regulatory intervention.

3. Accounting Practices and Procedures

Does the jurisdiction have the authority to require domestic reinsurers to file appropriate financial statements and other financial information? This description should address the following:

- a. Description of the accounting and reporting practices and procedures.
- b. Description of any standard financial statement blank/reporting template, including description of content/disclosure requirements and corresponding instructions.

4. Corrective Action

Does the jurisdiction have the authority to order a reinsurer to take corrective action or cease and desist certain practices that, if not corrected or terminated, could place the reinsurer in a hazardous financial condition? This description should address the following:

- a. Identification of specific standards which may be considered to determine whether the continued operation of the reinsurer might be hazardous to the general public.
- b. Whether the jurisdiction has the authority to issue an order requiring the reinsurer to take corrective action when it has been determined to be in hazardous financial condition.

5. Regulation and Valuation of Investments

What authority does the jurisdiction have with respect to regulation and valuation of investments? This description should address the following:

- a. Whether the jurisdiction has the authority to require a diversified investment portfolio for all domestic reinsurers as to type, issue and liquidity.
- b. Whether the jurisdiction has the authority to establish acceptable practices and procedures under which investments owned by reinsurers must be valued, including standards under which reinsurers are required to value securities/investments.

6. Holding Company Systems

Does the jurisdiction have laws or regulations with respect to supervision of the group holding company systems of reinsurers? This description should address the following:

- a. Whether the jurisdiction has access to information via the parent or other regulated group entities about activities or transactions within the group involving other regulated or non-regulated entities that could have a material impact on the operations of the reinsurer.
- b. Whether the jurisdiction has access to consolidated financial information of a reinsurer's ultimate controlling person.
- c. Whether the jurisdiction has the authority to review integrity and competency of management.
- d. Whether the jurisdiction has approval and intervention powers for material transactions and events involving reinsurers.
- e. Whether the jurisdiction has authority to monitor, or has prior approval authority over:
 - i. Change in control of domestic reinsurers.
 - ii. Dividends and other distributions to shareholders of the reinsurer.
 - iii. Material transactions with affiliates.

7. Risk Management

Does the jurisdiction have the authority to require its domestic reinsurers to maintain an effective risk-management function and practices? This description should address the following:

- a. Whether the jurisdiction has Own Risk and Solvency Assessment (ORSA) requirements and reporting.
- b. Any requirements regarding the maximum net amount of risk to be retained by a reinsurer for an individual risk based on the reinsurer's capital and surplus.
- c. Whether the jurisdiction has authority to monitor enterprise risk, including any activity, circumstance, event (or series of events) involving one or more affiliates of a reinsurer that, if not remedied promptly, is likely to have a material adverse effect on the financial condition or liquidity of the reinsurer or its insurance holding company system as a whole.
- d. Whether the jurisdiction has corporate governance requirements for reinsurers.

8. Liabilities and Reserves

Does the jurisdiction have standards for the establishment of liabilities and reserves (technical provisions) resulting from reinsurance contracts? This description should address the following:

- a. Liabilities incurred under reinsurance contracts for policy reserves, unearned premium, claims and losses unpaid, and incurred but not reported (IBNR) claims (including whether discounting is allowed for reserve calculation/reporting).
- b. Liabilities related to catastrophic occurrences.
- c. Whether the jurisdiction requires an opinion on reserves and loss and loss adjustment expense reserves by a qualified actuary or specialist for all domestic reinsurers, and the frequency of such reports.

9. Reinsurance Ceded

What are the jurisdiction's requirements with respect to the financial statement credit allowed for reinsurance retroceded by its domestic reinsurers? This description should address the following:

- a. Credit for reinsurance requirements applicable to reinsurance retroceded to domestic and non-domestic reinsurers.
- b. Collateral requirements applicable to reinsurance contracts.
- c. Whether the jurisdiction requires a reinsurance agreement to provide for insurance risk transfer (i.e., transfer of both underwriting and timing risk).
- d. Requirements applicable to special purpose reinsurance vehicles and insurance securitizations.
- e. Affiliated reinsurance transactions and concentration risk.
- f. Disclosure requirements specific to reinsurance transactions, agreements and counterparties, if such information is not provided under another item.

10. Independent Audits

Does the jurisdiction require annual audits of domestic reinsurers by independent certified public accountants or similar accounting/auditing professional recognized in the applicant jurisdiction? This description should address the following:

- a. Requirements for the filing of audited financial statements prepared in conformity with accounting practices prescribed or permitted by the supervisory authority.
- b. Contents of annual audited financial reports.
- c. Requirements for selection of auditor.
- d. Allowance of audited consolidated or combined financial statements.
- e. Notification of material misstatements of financial condition.
- f. Supervisor's access to auditor's workpapers.
- g. Audit committee requirements.
- h. Requirements for reporting of internal control-related matters.

11. Receivership

Does the jurisdiction have a receivership scheme for the administration of reinsurers found to be insolvent? This should include a description of any liquidation priority afforded to policyholders and the liquidation priority of reinsurance obligations to domestic and non-domestic ceding insurers in the context of an insolvency proceeding of a reinsurer.

12. Filings with Supervisory Authority

Does the jurisdiction require the filing of annual and interim financial statements with the supervisory authority? This description should address the following:

- a. The use of standardized financial reporting in the financial statements, and the frequency of relevant updates.
- b. The use of supplemental data to address concerns with specific companies or issues.
- c. Filing format (e.g., electronic data capture).
- d. The extent to which financial reports and information are public records.

13. Reinsurance Intermediaries

Does the jurisdiction have a regulatory framework for the regulation of reinsurance intermediaries?

14. Other Regulatory Requirements with respect to Reinsurers

Any other information necessary to adequately describe the effectiveness of the jurisdiction's laws and regulations with respect to its reinsurance supervisory system.

Appendix B: Regulatory Practices and Procedures1. Financial Analysis

What are the jurisdiction's practices and procedures with respect to the financial analysis of its domestic reinsurers? Such description should address the following:

- a. Qualified Staff and Resources
The resources employed to effectively review the financial condition of all domestic reinsurers, including a description of the educational and experience requirements for staff responsible for financial analysis.
- b. Communication of Relevant Information to/from Financial Analysis Staff
The process under which relevant information and data received by the supervisory authority are provided to the financial analysis staff and the process under which the findings of the financial analysis staff are communicated to the appropriate person(s).
- c. Supervisory Review
How the jurisdiction's internal financial analysis process provides for supervisory review and comment.
- d. Priority-Based Analysis
How the jurisdiction's financial analysis procedures are prioritized in order to ensure that potential problem reinsurers are reviewed promptly.
- e. Depth of Review
How the jurisdiction's financial analysis procedures ensure that domestic reinsurers receive an appropriate level or depth of review commensurate with their financial strength and position.
- f. Analysis Procedures
How the jurisdiction has documented its financial analysis procedures and/or guidelines to provide for consistency and continuity in the process and to ensure that appropriate analysis procedures are being performed on each domestic reinsurer.
- g. Reporting of Material Adverse Findings
The process for reporting material adverse indications, including the determination and implementation of appropriate regulatory action.
- h. Early Warning System/Stress Testing
Whether the jurisdiction has an early warning system and/or stress testing methodology that is utilized with respect to its domestic reinsurers.

2. Financial Examinations

What are the jurisdiction's practices and procedures with respect to the financial examinations of its domestic reinsurers? Such description should address the following:

- a. Qualified Staff and Resources
The resources employed to effectively examine all domestic reinsurers. This should include whether the jurisdiction prioritizes examination scheduling and resource allocation commensurate with the financial strength and position of each reinsurer, and a description of the educational and experience requirements for staff responsible for financial examinations.
- b. Communication of Relevant Information to/from Examination Staff
The process under which relevant information and data received by the supervisory authority are provided to the examination staff and the process under which the findings of the examination staff are communicated to the appropriate person(s).
- c. Use of Specialists
Whether the supervisory authority's examination staff includes specialists with appropriate training and/or experience or whether the supervisory authority otherwise has available qualified specialists that will permit the supervisory authority to effectively examine any reinsurer.
- d. Supervisory Review
Whether the supervisory authority's procedures for examinations provide for supervisory review.
- e. Examination Guidelines and Procedures
Description of the policies and procedures the supervisory authority employs for the conduct of examinations, including whether variations in methods and scope are commensurate with the financial strength and position of the reinsurer.
- f. Risk-Focused Examinations
Does the supervisory authority perform and document risk-focused examinations and, if so, what guidance is utilized in conducting the examinations? Are variations in method and scope commensurate with the financial strength and position of the reinsurer?
- g. Scheduling of Examinations
Whether the supervisory authority's procedures provide for the periodic examination of all domestic reinsurers, including how the system prioritizes reinsurers that exhibit adverse financial trends or otherwise demonstrate a need for examination.
- h. Examination Reports
Description of the format in which the supervisory authority's reports of examinations are prepared, and how the reports are shared with other jurisdictions under information-sharing agreements.
- i. Action on Material Adverse Findings
What are the jurisdiction's procedures regarding supervisory action in response to the reporting of any material adverse findings.

3. Information Sharing

Does the jurisdiction have a process for the sharing of otherwise confidential documents, materials, information, administrative or judicial orders, or other actions with U.S. state regulatory officials, provided that the recipients are required, under their law, to maintain its confidentiality?

4. Procedures for Troubled Reinsurers

What procedures does the jurisdiction follow with respect to troubled reinsurers?

5. Organization, Licensing and Change of Control of Reinsurers

What processes does the supervisory authority use to identify unlicensed or fraudulent activities? The description should address the following:

- a. Licensing Procedure
Whether the supervisory authority has documented licensing procedures that include a review and/or analysis of key pieces of information included in a primary licensure application.
- b. Staff and Resources
The educational and experience requirements for staff responsible for evaluating company licensing.
- c. Change in Control of a Domestic Reinsurer
Procedures for the review of key pieces of information included in filings with respect to a change in control of a domestic reinsurer.

Steven Clayburn
Senior Actuary, Health Insurance & Reinsurance
steveclayburn@acli.com

April 23, 2021

Ms. Chlora Lindley-Myers
Chair
NAIC Reinsurance (E) Task Force

Sent via email: jestultz@naic.org and dschelp@naic.org

RE: Updated Process for Evaluating Qualified and Reciprocal Jurisdictions

Greetings:

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on the updated *Process for Evaluating Qualified and Reciprocal Jurisdictions* document.

During our review, we did not notice any new additional language that seemed to be incorrect or caused confusion in reading. We do note that throughout the document that “Qualified Jurisdiction Working Group” is utilized. With that working group being renamed to “Mutual Recognition of Jurisdictions Working Group”, we would suggest updating the document with the new name of the working group.

Sincerely,

Steven Clayburn

cc: Jake Stultz, Senior Accounting and Reinsurance Policy Advisor
Dan Schelp, Chief Counsel, Regulatory Affairs



NAIC Consultation on Qualified & Reciprocal Jurisdiction Process

The Association of Bermuda Insurers and Reinsurers (“ABIR”) kindly thanks the National Association of Insurance Commissioners (“NAIC”) for the opportunity to comment on its consultation on revisions to the Qualified and Reciprocal Jurisdiction Process. ABIR represents the public policy interests of Bermuda’s leading insurers and reinsurers and make up over 35% of the global reinsurance market based on property & casualty net premiums earned. ABIR members employ over 43,000 Americans in the U.S. and protect consumers around the world by providing affordable and accessible insurance protection and peace of mind. From our review of the revised draft, the changes appear to be focused on two areas, which are new procedures for termination of the status of a qualified and/or reciprocal jurisdictions and the passporting process for reciprocal jurisdictions. The following are ABIR’s comments.

Termination of Status as Qualified (“QJ”) and/or Reciprocal (“RJ”) Jurisdiction

If a QJ is found to be out of compliance with the requirements to be a QJ, the QJ Working Group will report the details of the non-compliance to the Task Force and ultimately, the QJ may then be placed on probation or have its designation suspended or revoked. The process is the same for a RJ except for those RJs entitled to automatic recognition. The revised process notes that it is intended that compliance with the covered agreement for an RJ will ultimately be determined by the Joint Committee established under the covered agreement, or through termination of the covered agreement by the parties to the covered agreement.

If a QJ or RJ’s status is revoked by a state, then those Certified Reinsurers and/or Reciprocal Jurisdiction Reinsurers domiciled in that jurisdiction must post within three months of this determination one hundred percent (100%) collateral on all their liabilities assumed from ceding insurers domiciled in that state. Due to the potential significant financial impact to a reinsurer of this change in status, ABIR is concerned that the proposed three-month time frame to establish the required collateral in the event of the revocation of a jurisdiction’s status, may not be reasonable.

Additionally, the revision notes “Both Qualified Jurisdictions and Reciprocal Jurisdictions that are not subject to a covered agreement are obligated to provide notice to the Qualified Jurisdiction Working Group of any applicable changes to their reinsurance supervisory system” or any adverse developments with respect to enforcement of final U.S. judgments. States and U.S. ceding insurers may also provide notice of such changes to the Working Group. ABIR would like additional information on this process, highlighting the potential for unintended consequences of allowing ceding insurers to report changes to a jurisdiction’s reinsurance supervisory systems.

Passporting Process for Reciprocal Jurisdiction

The proposed revisions describe the NAIC process called “passporting” under which the commissioner has the discretion to defer to another state’s determination with respect to the requirements for both Certified

Reinsurers and Reciprocal Jurisdiction Reinsurers. It notes that passporting is based upon individual state regulatory authority, and states are encouraged to act in a uniform manner in order to facilitate the passporting process.

ABIR supports a process to facilitate multi-state recognition of assuming insurers and to encourage uniformity among the States. In addition, we would recommend that states are strongly encourages to collaborate to facilitate uniformity, reduce friction and increase efficiency.

I am willing to make myself available, if you wish to discuss any of these matters further.

Kind regards
Suzanne Williams-Charles

Suzanne Williams-Charles | Director of Policy and Regulation, Corporate Secretary & Data Privacy Officer | Association of Bermuda Insurers and Reinsurers (ABIR) | Office: 441-294-7221 | Cell: 441-705-4422 | suzanne.williams-charles@abir.bm | O'Hara House, #1 Bermudiana Road, Hamilton, HM 08, Bermuda



April 23, 2021

VIA ELECTRONIC MAIL

Mr. Jake Stultz
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Re: Proposed Revisions to the Process for Evaluating Qualified and Reciprocal Jurisdictions

Dear Mr. Stultz and Mr. Schelp:

We are writing on behalf of the International Underwriting Association of London (“IUA”), a trade association that represents international insurers and reinsurers operating in the London Insurance Market. A number of IUA members are currently registered as certified reinsurers and it is anticipated that those companies, and perhaps additional IUA members, will seek reciprocal jurisdiction reinsurer status in the future.

We greatly appreciate the opportunity to comment on the proposed revisions to the *Process for Evaluating Qualified and Reciprocal Jurisdictions*.

Proposed Revisions to New Section III, Paragraph 15

Section 9C(7) of the *Credit for Reinsurance Model Regulation* (#786) requires the supervisory authority of an assuming insurer domiciled in a Reciprocal Jurisdiction (a “Reciprocal Reinsurer”) to confirm on an annual basis to the relevant state insurance regulator that such Reciprocal Reinsurer complies with the minimum capital and surplus and minimum solvency or capital ratio requirements set forth in the *Credit for Reinsurance Model Regulation* (#786). To that end, the new Section III, Paragraph 15 of the *Process for Evaluating Qualified and Reciprocal Jurisdictions* creates a process for Reciprocal Jurisdictions to make annual filings of the relevant financial information.

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To make such a filing, the supervisory authority in a Reciprocal Jurisdiction would need to: (1) track on an annual basis which Reciprocal Reinsurers domiciled in their jurisdiction had obtained such status and file the required information on behalf of multiple reinsurers in potentially¹ multiple states; (2) collect the relevant financial information from the Reciprocal Reinsurers domiciled in their jurisdiction; and (3) develop a system for filing such information with U.S. insurance regulators. This filing process would clearly impose considerable burdens on Reciprocal Jurisdictions. The process, however, could be streamlined by adding as an option allowing individual Reciprocal Reinsurers to file the required financial information directly with U.S. insurance regulators.

A Reciprocal Jurisdiction should be permitted to either make an annual filing as reflected in the proposed draft or, alternatively, issue a document to the Reciprocal Reinsurers confirming the information required by Section 9C(7) of the *Credit for Reinsurance Model Regulation (#786)*, similar to a certificate of good standing, which the Reciprocal Reinsurers would then annually file directly with state insurance regulators (*e.g.*, as part of a Reciprocal Reinsurer's application for or renewal of status as a Reciprocal Reinsurer).

Given that the Reciprocal Reinsurers are more likely to already have developed systems of making filings with supervisory authorities in general, allowing those Reciprocal Reinsurers to make the required filings with U.S. insurance regulators directly would likely be more efficient than asking supervisory authorities in Reciprocal Jurisdictions to establish whole new systems and procedures for making financial filings on behalf of the Reciprocal Reinsurers domiciled in those Reciprocal Jurisdictions.

Attached hereto as *Appendix A* are proposed revisions to the new Section III, Paragraph 15 of the *Process for Evaluating Qualified and Reciprocal Jurisdictions* that would allow for a more streamlined approach. Specifically, with respect to the changes reflected in the attached document:

1. The first proposed change to paragraph 15.c. is to permit a Reciprocal Jurisdiction to satisfy the requirements of Section 9C(7) of the *Credit for Reinsurance Model Regulation (#786)* by either making a filing itself or providing to a Reciprocal Reinsurer domiciled in that Reciprocal Jurisdiction a document confirming the required information, which the assuming insurer would then file with relevant state insurance regulators.
2. The second proposed change to paragraph 15.c. is to address the fact that Reciprocal Jurisdictions do not do business in the U.S. and in many cases, neither do the Reciprocal Reinsurers from those Reciprocal Jurisdictions. Therefore, we propose that filings of financial information be required in those states where the Reciprocal Reinsurer has reinsured ceding

¹ We say potentially because, although the hope is that states adopt the passporting process, states are not required to follow the passporting process, and so such filings may be required in multiple states.

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insurers domiciled in such states, subject to the alternative options of making the filings with its Lead State or the NAIC.

Additional Comments on Procedures Related to Reciprocal Jurisdiction Designation

We would like to offer some additional comments on how this new designation of a Reciprocal Reinsurer will be used.

Once this process is adopted and implemented, the Reinsurance Financial Analysis (E) Working Group (“ReFAWG”) will be evaluating two kinds of reinsurers – Certified Reinsurers and Reciprocal Reinsurers. Generally, these two categories of reinsurers are similar and differ mainly based on the status of the regulatory authority where they are domiciled. For example, both types of reinsurers are required to have minimum capital and surplus of \$250 million.

Given the similarity of the standards to be considered by individual states and ReFAWG with respect to both types of reinsurers, it would make the process more efficient for everyone if the evaluation of Reciprocal Reinsurers were treated in a similar manner to Certified Reinsurers. More specifically, to simplify the process and ensure consistent application of standards, we recommend the following:

1. There should be uniform timing for the application and renewal dates for Certified Reinsurer and Reciprocal Reinsurer status – we suggest June 30th, a date that is currently commonly used by states.
2. The effect of obtaining Certified Reinsurer and Reciprocal Reinsurer status is prospective (*i.e.*, only applies to new business written). Therefore, even after the application and renewal process for Reciprocal Reinsurer status is established, some reinsurers may have designations as a Certified Reinsurer for some business and a Reciprocal Reinsurer for other business. Such reinsurers would have status renewal obligations with respect to both designations. Given the similarity of the financial standards, as discussed above, we recommend that in the case where a reinsurer has both statuses in a given state, such reinsurer should only be obligated to file one set of information to renew both statuses.
3. We strongly support the proposed passporting process for Reciprocal Jurisdictions and Reciprocal Reinsurers.

We ask that the ReFAWG consider these suggestions when the ReFAWG Manual is revised.

* * *

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Thank you once again for the opportunity to share these comments, which we would be happy to discuss further at your request.

Sincerely,



John Finston

JFF/yf

cc: Helen Dalziel, International Underwriting Association
Thomas M. Dawson, McDermott Will & Emery LLP
Yuliya Feldman, McDermott Will & Emery LLP

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APPENDIX A

Proposed Revisions to Section III, Paragraph 15 of the Process for Evaluating Qualified and Reciprocal Jurisdictions

15. Passporting Process for Reciprocal Jurisdictions

- a. In order to facilitate multi-state recognition of assuming insurers and to encourage uniformity among the states, the NAIC has initiated a process called “passporting” under which the commissioner has the discretion to defer to another state’s determination with respect to the requirements for both Certified Reinsurers and Reciprocal Jurisdiction Reinsurers. Passporting is based upon individual state regulatory authority, and states are encouraged to act in a uniform manner in order to facilitate the passporting process. States are also encouraged to utilize the passporting process to reduce the amount of documentation filed with the states and reduce duplicate filings.
- b. The passporting process is facilitated through the Reinsurance Financial Analysis (E) Working Group (ReFAWG). It is intended that ReFAWG will help facilitate multi-state recognition of Certified Reinsurers and Reciprocal Jurisdiction Reinsurers and address issues of uniformity among the states, both with respect to initial application and subsequent changes in rating or status. The ReFAWG Review Process is set forth in the ReFAWG Procedures Manual.
- c. Section 9C(7) of the Credit for Reinsurance Model Regulation (#786) provides that the “assuming insurer’s supervisory authority must confirm to the commissioner on an annual basis that the assuming insurer complies with the requirements set forth in Paragraphs (2) [i.e., minimum capital and surplus of no less than \$250] and (3) [i.e., minimum solvency or capital ratio] of this subsection.” Section 9E(1) of Model #786 then provides that “The commissioner may accept financial documentation filed with another NAIC accredited jurisdiction or with the NAIC in satisfaction of the requirements of Subsection C.” A Reciprocal Jurisdiction may satisfy the requirements of Section 9C(7) of Model #786 by either providing the information required by Section 9C(7) itself, or by providing to an assuming insurer domiciled in that Reciprocal Jurisdiction a document confirming the required information, which the assuming insurer would file annually. ~~annually filing~~ With respect to either filing method, the required information would be filed with each state in which such assuming insurer has reinsured a ceding insurer domiciled in that state ~~it is doing business~~, or with either ~~it~~the Lead State or the NAIC, which will share this documentation with the other states through the ReFAWG Review Process. Each state may accept financial documentation filed with the Lead State or with the NAIC.

April 23, 2021

Director Chlora Lindley-Myers, Chair
Reinsurance (E) Task Force
National Association of Insurance Commissioners
c/o Mr. Dan Schelp and Mr. Jake Stultz
Via e-mail dschelp@naic.org, jstultz@naic.org

Re: NAIC Request for Comments on Draft Process for Evaluating Qualified and Reciprocal Jurisdictions

Dear Director Lindley-Myers:

The Reinsurance Association of America (RAA) appreciates the opportunity to submit comments on the NAIC's exposure draft of its revised Process for Evaluating Qualified and Reciprocal Jurisdictions. The Reinsurance Association of America (RAA) is a national trade association representing reinsurance companies doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross-border basis. The RAA also has life reinsurance affiliates.

We appreciate the Reinsurance Task Force's continued thoughtful engagement with respect to implementation of its 2019 revisions to the NAIC Credit for Reinsurance Model Law and Model Regulation, including its continued work on the draft of its Process for Evaluating Qualified and Reciprocal Jurisdictions. This is another important step in the implementation process for the U.S./EU and U.S./UK covered agreements and in the NAIC's expressed goal to revise the credit for reinsurance framework in the U.S. to create an equal playing field for all reinsurers that meet the legal requirements and commitments from the new category of "Reciprocal Jurisdictions." The Process for Evaluating Qualified and Reciprocal Jurisdictions provides the framework through which U.S. and non-U.S. jurisdictions will be evaluated as Reciprocal Jurisdictions, principles for that evaluation and a structure for review of Reciprocal Jurisdiction status.

Termination of Status as a Qualified and/or Reciprocal Jurisdiction

We appreciate the changes to provide a process for termination of status as a Qualified and/or Reciprocal Jurisdiction. Having a clear process for termination or re-evaluation of a jurisdiction's status is critical. In addition, we appreciate the inclusion of the clarification that a U.S. ceding insurer may provide notice to the Qualified Jurisdiction Working Group if they receive notice of any material change in the applicable reinsurance supervisory system or any adverse developments with respect to enforcement of final U.S. judgments. Active engagement with companies in addition to regulators will help to enhance timely and effective review, if needed. We also appreciate the specificity with respect to the process for reinstatement of a Reciprocal Jurisdiction. The Task Force may wish to include a provision that the Qualified Jurisdiction Working Group affirmatively survey those U.S. companies doing business in the relevant jurisdiction about their

experience there or to have a clearer process through which issues experienced by U.S. companies can be handled.

Passporting Process for Reciprocal Jurisdictions

We also welcome the additional clarity with respect to the passporting process for Reciprocal Jurisdictions, including recognition between U.S. jurisdictions. In addition to the process set forth in the framework, we urge the Task Force and NAIC staff to work with those states that already have passed the 2019 Model Law and Regulation to communicate publicly when they are prepared to accept applications for reinsurers from Reciprocal Jurisdictions.

Conclusion

Thank you for your continued work and engagement with us in this important process. We would be happy to answer any questions or discuss any concerns.

Sincerely,



Karalee C. Morell
SVP and General Counsel
Reinsurance Association of America

Draft: 06/17/2021



ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers

Reinsurance Financial Analysis (E) Working Group

***ReFAWG Review Process for Passporting
Certified and Reciprocal Jurisdiction Reinsurers
("ReFAWG Review Process")***

1. ReFAWG Review Process

The Reinsurance Financial Analysis (E) Working Group (ReFAWG) normally operates in Executive Session, in accordance with the *NAIC Policy Statement on Open Meetings* and in open session when addressing policy issues. The authority of the Working Group is limited to that of an advisory body. This authority is derived from the 2011 *Preface to Credit for Reinsurance Models*, which provided that the purpose of the Working Group is “to provide advisory support and assistance to states in the review of reinsurance collateral reduction applications. Such a process with respect to the review of applications for reinsurance collateral reduction and qualified jurisdictions should strengthen state regulation and prevent regulatory arbitrage.”

- a. In November 2011, the NAIC adopted revisions to its *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) which reduce the prior reinsurance collateral requirements for non-U.S. licensed reinsurers that are licensed and domiciled in Qualified Jurisdictions and establish a certification process for reinsurers under which a Certified Reinsurer is eligible for collateral reduction with respect to contracts entered into or renewed subsequent to certification. The authority to issue individual ratings of certified reinsurers is reserved to the NAIC member jurisdictions under their respective statutes and regulations. While this forum is intended to strengthen state regulation and prevent regulatory arbitrage, it is not within the authority of the Working Group to assign collateral requirements for individual reinsurers.
- b. On June 25, 2019, the NAIC adopted further revisions to the models, which implement the reinsurance collateral provisions of the Covered Agreements with the European Union (EU) and the United Kingdom (UK). These revisions create a new type of jurisdiction, which is called a Reciprocal Jurisdiction and eliminates reinsurance collateral requirements and local presence requirements for EU and UK reinsurers that maintain a minimum amount of own-funds equivalent to \$250 million USD and a solvency capital requirement (SCR) of 100% under Solvency II. The revisions also provide Reciprocal Jurisdiction status for accredited U.S. jurisdictions and Qualified Jurisdictions if they meet certain requirements in the credit for reinsurance models. ReFAWG has also been given additional responsibilities with respect to these “Reciprocal Jurisdiction Reinsurers.” ReFAWG will coordinate its efforts with the Mutual Recognition of Jurisdictions (E) Working Group (formerly known as the Qualified Jurisdictions (E) Working Group).
- c. Issues upon which the Working Group may provide advisory support and assistance include but are not limited to:
 - i. Provide advisory support and assistance to states in the review of reinsurance collateral reduction applications. Such a process with respect to the review of applications for reinsurance collateral reduction and qualified jurisdictions should strengthen state regulation and prevent regulatory arbitrage.

- ii. Provide a forum for discussion, among NAIC jurisdictions, of reinsurance issues related to specific companies, entities or individuals.
- iii. Support, encourage, promote and coordinate multi-state efforts in addressing issues related to certified reinsurers, including but not limited to multi-state recognition of certified reinsurers.
- iv. Provide analytical expertise and support to the states with respect to certified reinsurers and applicants for certification.
- v. Interact with domiciliary regulators of ceding insurers and certifying states to assist and advise on the most appropriate regulatory strategies, methods and actions with respect to certified reinsurers.
- vi. Provide advisory support with respect to issues related to the determination of qualified jurisdictions.
- vii. Ensure the public passporting website remains current.
- viii. For reinsurers domiciled in Reciprocal Jurisdictions, determine the best and most effective approaches for the financial solvency surveillance to assist the states in their work to protect the interests of policyholders.

2. Lead States and Passporting Process

- a. A reinsurer seeking recognition as either a Certified Reinsurer or a Reciprocal Jurisdiction Reinsurer must submit certain information to the state in which it seeks such recognition. Under the ReFAWG Review Process, ReFAWG will assist the states with the initial review of this information and provide guidance to the states in making their review of the reinsurer to determine whether it has met the regulatory requirements to be recognized as a Certified Reinsurer and/or a Reciprocal Jurisdiction Reinsurer.
- b. In addition to this assistance to individual states, ReFAWG will also assist with a passporting process for the states. “Passporting” refers to the process under which a state has the discretion to defer to the certification of a reinsurer (and the rating assigned to that certified reinsurer) by another state. Under this process, a reinsurer will apply to an initial state for certification, referred to as the “Lead State,” which will begin its analysis of the reinsurer and notify ReFAWG of the application. The Lead State will complete its initial analysis and will submit filing information and other documentation to ReFAWG for a peer review. Upon completion of the confidential peer review process, ReFAWG will make its recommendation concerning both the certified status of the reinsurer and its rating. The Lead State then makes the final determination regarding certification, upon which the Lead State notifies ReFAWG and the certified reinsurer is eligible to apply for passporting into other states.
- c. A similar Passporting Process is in place with respect to Reciprocal Jurisdiction Reinsurers. In order to facilitate multi-state recognition of assuming insurers and to encourage uniformity among the states, the NAIC has initiated a process called “passporting” under which the commissioner has the discretion to defer to another state’s determination with respect to compliance with this section. Passporting is based upon individual state regulatory authority, and states are encouraged to act in a uniform manner in order to facilitate the passporting process. States are also encouraged to utilize

the passporting process to reduce the amount of documentation filed with the states and reduce duplicate filings.

- d. If an NAIC accredited jurisdiction has determined that the conditions set forth for recognition as a Reciprocal Jurisdiction Reinsurer have been met, the commissioner has the discretion to defer to that jurisdiction's determination and add such assuming insurer to the list of assuming insurers to which cessions shall be granted credit. The commissioner may accept financial documentation filed with the Lead State or with the NAIC. ReFAWG and the Mutual Recognition of Jurisdictions (E) Working Group will coordinate efforts to obtain and disseminate to the states financial information regarding both Certified Reinsurers and Reciprocal Jurisdiction Reinsurers.
- e. The ReFAWG Review Process is designed to facilitate communication of relevant information with respect to individual reinsurers or reinsurance related issues by allowing interested state insurance regulators the opportunity to monitor the ReFAWG meetings and discussion. It should be noted that the process for engaging ReFAWG in the consideration of an application is intended to be flexible. Specific circumstances may necessitate discussion between ReFAWG and any states that have received any application in order to determine an appropriate lead state on a case-by-case basis.
- f. **Change of Lead State** - The Lead State may change based upon mutual agreement between the current lead state and any other state where the reinsurer is certified, with input to be provided by ReFAWG. Upon a change in lead state, NAIC staff will provide timely notification to all states. In order to facilitate a change of lead state from one state to another, both states should discuss the rationale for the change during a regulator-only ReFAWG meeting. NAIC Staff will update the lead state and note such change on NAIC systems and send notice to ReFAWG and interested regulators.

3. ReFAWG Review Process for Certified Reinsurers

ReFAWG makes available to the states a *Uniform Application Checklist for Certified Reinsurers* (Exhibit 1) for certification of reinsurers based upon the requirements of the Credit for Reinsurance Model Law and Regulation. It is intended that the checklist be used by lead states for the initial/renewal application review and by ReFAWG in its review of Passporting requests.

The following provide a timeline for filings:

Timeline Event	Required Date
Required Documents Filed with Lead State	June 30
Required Passporting Documents Uploaded to NAIC ReFAWG Database	August 31
NAIC Staff Re-Certification Review Process and Conference Calls	September 1 – November 30
All Passporting Re-Certifications Completed	December 1
Effective Date of Passporting Re-Certification	1/1/xx to 12/31/xx (Next Calendar Year)
Applications for Passporting	1/1/xx to 12/31/xx

In order to be eligible for certification, the assuming insurer shall meet the following requirements:

- a. **Qualified Jurisdiction** - The assuming insurer must be domiciled and licensed to transact insurance or reinsurance in a Qualified Jurisdiction. The applicant must be in good standing and provide a copy of the certificate of authority or license to transact insurance and/or reinsurance business.
- b. **Capital and Surplus** - The assuming insurer must maintain capital and surplus of no less than \$250,000,000 as reported within its audited financial statement. This requirement may also be satisfied by an association including incorporated and individual unincorporated underwriters having minimum capital and surplus equivalents (net of liabilities) of at least \$250,000,000 and a central fund containing a balance of at least \$250,000,000.
- c. **Financial Strength Ratings** - The assuming insurer must maintain financial strength ratings from two or more rating agencies deemed acceptable by the commissioner. These ratings shall be based on interactive communication between the rating agency and the assuming insurer and shall not be based solely on publicly available information. The applicant must provide the rating agency report. If the rating is a group rating, the rationale for the group rating must be provided. Initial or Affirmed financial strength rating dates must be within 15 months of the application date/renewal filing date. Acceptable rating agencies include: A.M. Best, Fitch Ratings, Moody's, Standard & Poor's or any other Nationally Recognized Statistical Rating Organization by the SEC. *Kroll is not recognized as an acceptable rating organization in Model #786 but has been recognized as an acceptable rating organization by the Reinsurance (E) Task Force.*
- d. The following table outlines the necessary ratings needed to meet a secure level:

<u>Ratings</u>	<u>Collateral Required</u>	<u>A.M. Best</u>	<u>Standard & Poor's</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Kroll</u>
Secure – 1	0%	A++	AAA	Aaa	AAA	AAA
Secure – 2	10%	A+	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-	AA+, AA, AA-
Secure – 3	20%	A	A+, A	A1, A2	A+, A	A+, A
Secure – 4	50%	A-	A-	A3	A-	A-
Secure – 5	75%	B++, B+	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-

Vulnerable – 6	100%	B, B-C++, C+, C, C-, D, E, F	BB+, BB, BB, B+, B, B-, CCC, CC, C, D, R	Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C	BB+, BB, BB, B+, B, B-, CCC+, CC, CCC-, DD	BB+, BB, BB- , B+, B, B-, CCC, CC, C, D
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e. **Protocol for Considering a Group Rating** - Section 8B(4) of the *Credit for Reinsurance Model Regulation* (#786) provides, in relevant part: “Each certified reinsurer shall be rated on a legal entity basis, **with due consideration being given to the group rating where appropriate....**”

Understanding the rating agency basis for utilizing a group rating is a key factor in determining whether an applicant’s group rating may be considered appropriate. The recommended protocol for understanding the rationale involves one or more of the following protocol steps:

- i. For reasons set forth in the rating agency report or its published ratings standards or guidelines, the rating agency utilizes the group rating as a consequence of finding that the company had sufficient interconnectivity with the group;
- ii. For reasons set forth in the rating agency report or its published ratings standards or guidelines, the rating agency enhances the group rating due to the subsidiary’s potential benefit of capital support from one or more affiliated companies;
- iii. The group rating was utilized because the subsidiary derives benefit from its inclusion within a financially strong and well-capitalized insurance group;
- iv. The lead state has contacted the rating agency and was provided a written explanation for the use of the group rating;
- v. Other factors deemed appropriate by the Reinsurance Financial Analysis (E) Working Group; or
- vi. To assist the Lead State in the assessment of the appropriateness of the use of a group rating, applicants are encouraged to provide their rationale for the use of a group rating.

f. Changes in Ratings

Section 8(B)(7)(a) of Model #786 provides that a certified reinsurer is required to notify the Commissioner of a certifying state within 10 days of any regulatory actions taken against the certified reinsurer, any change in the provisions of its domiciliary license or any change in rating by an approved rating agency, including a statement describing such changes and the reasons. Upon receipt of any such notification, a certifying state should immediately notify ReFAWG in order to facilitate communication of the information to other states. ReFAWG will subsequently send notification to all applicable regulators and may coordinate an interim meeting as deemed appropriate in order to discuss the issue(s).

Changes requiring action by a certifying state in accordance with statute and/or regulation may

include but are not limited to: deterioration in financial condition; downgrade in a financial strength rating; change in the status of its domiciliary license; change in the qualification status of its domestic jurisdiction; and the triggering of certain thresholds with respect to reinsurance obligations to U.S. ceding insurers that are past due (in accordance with Section 8(B) of Model #786). While such changes may require action under statute or regulation, the ReFAWG process is intended to facilitate communication and coordination with respect to the date upon which changes in a certified reinsurer's rating/status are effective, as well as discussion of any other relevant issues. As part of the ongoing review process, other information may come to the attention of a certifying state and/or ReFAWG that warrants consideration with respect to a certified reinsurer's rating/status. While ReFAWG cannot require a state to delay any action with respect to a certified reinsurer's rating/status, certifying states are strongly encouraged to notify ReFAWG prior to taking any related action, as the ReFAWG process will serve to provide a proactive regulatory mechanism for communication of such information, discussion among regulators with respect to changes being considered on the basis of subjective rating criteria, and possible coordination of applicable effective dates if such changes are enacted. Upon receipt of any such information, ReFAWG will send notification to the NAIC Chief Financial Regulators listing and may coordinate an interim meeting as deemed appropriate in order to discuss the issue(s).

- g. **Schedule F/S (Ceded Reinsurance)** – Applicants domiciled in the U.S. must provide the most recent NAIC Annual Statement Blank Schedule F (property/casualty) and/or Schedule S (life and health). Applicants domiciled outside the U.S. must provide Form CR-F (property/casualty) and/or Form CR-S (life and health), completed in accordance with the instructions.
- h. **Disputed and/or Overdue Reinsurance Claims** - The applicant must provide a detailed explanation regarding reinsurance obligations to U.S. cedents that are in dispute and/or more than 90 days past due that exceed 5% of its total reinsurance obligations to U.S. cedents as of the end of its prior financial reporting year or reinsurance obligations to any of the top 10 U.S. cedents (based on the amount of outstanding reinsurance obligations as of the end of its prior financial reporting year) that are in dispute and/or more than 90 days past due exceed 10% of its reinsurance obligations to that U.S. cedent. The applicant must then provide a description of its business practices in dealing with U.S. ceding insurers and a statement that the applicant commits to comply with all contractual requirements applicable to reinsurance contracts with U.S. ceding insurers.
- i. **Mechanisms Used to Secure Obligations Incurred as a Certified Reinsurer** - The applicant must specify the mechanisms it will use to secure obligations incurred as a Certified Reinsurer. Use of multi-beneficiary trust must include: (1) approval from the domiciliary regulator; (2) the form of the trust that will be used as a certified reinsurer; and (3) the form of the trust that will be used to secure obligations incurred outside of the applicant's certified reinsurer status (if applicable).
- j. **Regulatory Actions** – The applicant must provide a description of any regulatory actions taken against the applicant. Include details on all regulatory actions, fines, and penalties. Further, a description of any changes in with respect to the provisions of the applicant's domiciliary license should be provided.

- k. **Audited Financial Report and Actuarial Opinion** – As filed with its non-U.S. jurisdiction supervisor, with a translation into English, the applicant must file audited financial statement for the current and prior year and an actuarial opinion (must be stand-alone, or the functional equivalent under the Supervisor’s applicable Actuarial Function Holder Regime).
- l. **Solvent Schemes of Arrangement** - The applicant must provide a description of any past, present, or proposed future participation in any solvent scheme of arrangement, or similar procedure, involving U.S. ceding insurers.
- m. **Form CR-1** - The applicant must provide a state lead state specific Form CR-1, which must be properly executed by an officer authorized to bind the applicant to the commitments set forth in the form.
- n. **Other Requirements** - The applicant must commit to comply with other reasonable requirements deemed necessary for certification by the certifying state. Further, the applicant must provide a statement that it agrees to post 100% security upon the entry of an order of rehabilitation or conservation against the ceding insurer or its estate.
- o. **Public Notice** - The commissioner is required to post notice on the insurance department’s website promptly upon receipt of any application for certification, including instructions on how members of the public may respond to the application. The commissioner may not take final action on the application until at least 30 days after posting such notice. The commissioner will consider any comments received during the public notice period with respect to this application.

4. Certified Reinsurers – Certified by Another NAIC Accredited Jurisdiction

If an applicant for certification has been certified as a reinsurer in an NAIC accredited jurisdiction, the state has the discretion to defer to that jurisdiction’s certification and assigned rating (i.e., passporting) as provided in the *Uniform Application Checklist for Certified Reinsurers* (Exhibit 1). To assist in the determination to defer to another jurisdiction’s certification the following documents are required:

- a. **Qualified Jurisdiction** - The assuming insurer must be domiciled and licensed to transact insurance or reinsurance in a Qualified Jurisdiction.
- b. **Verification of Certification Issued by an NAIC Accredited Jurisdiction** – The applicant must provide a copy of the approval letter or other documentation provided to the applicant by the NAIC accredited jurisdiction. The letter should include the state, rating and collateral percentage assigned, effective date, lines of business, and the applicant’s statement on compliance.
- c. **Mechanisms Used to Secure Obligations Incurred as a Certified Reinsurer** - The applicant must specify the mechanisms it will use to secure obligations incurred as a Certified Reinsurer. Use of multi-beneficiary trust must include: (1) approval from the domiciliary regulator; (2) the form of the trust that will be used as a certified reinsurer; and (3) the form of the trust that will be used to secure obligations incurred outside of the applicant’s certified reinsurer status (if applicable).

- d. **Form CR-1** - The applicant must provide a state lead state specific Form CR-1, which must be properly executed by an officer authorized to bind the applicant to the commitments set forth in the form.
- e. **Other Requirements** - The applicant must commit to comply with other reasonable requirements deemed necessary for certification by the certifying state. Further, they must provide a statement that they agree to post 100% security upon the entry of an order of rehabilitation or conservation against the ceding insurer or its estate.
- f. **Public Notice** - The commissioner is required to post notice on the insurance department's website promptly upon receipt of any application for certification, including instructions on how members of the public may respond to the application. The commissioner may not take final action on the application until at least 30 days after posting such notice. The commissioner will consider any comments received during the public notice period with respect to this application.

5. **Reciprocal Jurisdiction Process - Initial Application to Lead State**

Pursuant to the *Uniform Checklist for Reciprocal Jurisdiction Reinsurers* (Exhibit 2), the "Lead State" will uniformly require assuming insurers to provide the following documentation so that other states may rely upon the Lead State's determination:

- a. **Status of Reciprocal Jurisdiction** - The assuming insurer must be licensed to write reinsurance by, and has its head office or is domiciled in, a Reciprocal Jurisdiction that is listed on the *NAIC List of Reciprocal Jurisdictions*: (1) a non-U.S. jurisdiction that is subject to an in-force Covered Agreement with the United States; (2) a U.S. jurisdiction that meets the requirements for accreditation under the NAIC Financial Standards and Accreditation Program; or (3) a Qualified Jurisdiction that has been determined by the commissioner to meet all applicable requirements to be a Reciprocal Jurisdiction.
- b. **Minimum Capital and Surplus** - The assuming insurer must have and maintain on an ongoing basis minimum capital and surplus, or its equivalent, calculated on at least an annual basis as of the preceding December 31 or at the annual date otherwise statutorily reported to the Reciprocal Jurisdiction: no less than \$250,000,000 (USD); or if the assuming insurer is an association, including incorporated and individual unincorporated underwriters: minimum capital and surplus equivalents (net of liabilities) or own funds of the equivalent of at least \$250,000,000 (USD); and a central fund containing a balance of the equivalent of at least \$250,000,000 (USD). The assuming insurer's supervisory authority must confirm to the commissioner on an annual basis according to the methodology of its domiciliary jurisdiction that the assuming insurer complies with this requirement. The Mutual Recognition of Jurisdictions (E) Working Group will coordinate the confirmations of the domiciliary jurisdictions with ReFAWG with respect to individual Reciprocal Jurisdiction Reinsurers.

- c. **Minimum Solvency or Capital Ratio** - The assuming insurer must have and maintain on an ongoing basis a minimum solvency or capital ratio. The ratio specified in the applicable in-force Covered Agreement where the assuming insurer has its head office or is domiciled; or if the assuming insurer is domiciled in an accredited state, a risk-based capital (RBC) ratio of three hundred percent (300%) of the authorized control level, calculated in accordance with the formula developed by the NAIC; or if the assuming insurer is domiciled in a Reciprocal Jurisdiction that is a Qualified Jurisdiction, such solvency or capital ratio as the commissioner determines to be an effective measure of solvency. The assuming insurer's supervisory authority must confirm to the commissioner on an annual basis that the assuming insurer complies with this requirement. The Mutual Recognition of Jurisdictions (E) Working Group will coordinate the confirmations of the domiciliary jurisdictions with ReFAWG with respect to individual Reciprocal Jurisdiction Reinsurers.
- d. **Form RJ-1** - The assuming insurer must agree to and provide a signed Form RJ-1, which must be properly executed by an officer of the assuming insurer.
- e. **Audited Financial Report** - The assuming insurer's annual audited financial statements, in accordance with the applicable law of the jurisdiction of its head office or domiciliary jurisdiction, as applicable, including the external audit report as provided under Section 9C(5)(a) of Model #786.
- f. **Solvency and Financial Condition Report or Actuarial Opinion** – The applicant must submit a solvency and financial condition report or actuarial opinion, if filed with the assuming insurer's supervisor as provided under Section 9C(5)(b) of Model #786.
- g. **Overdue Reinsurance Claims** – The applicant must submit a list of all disputed and overdue reinsurance claims outstanding for 90 days or more, regarding reinsurance assumed from ceding insurers domiciled in the United States as provided under Section 9C(5)(c) of Model #786.
- h. **Assumed and Ceded Reinsurance Schedules** – The applicant must submit information regarding the assuming insurer's assumed reinsurance by ceding insurer, ceded reinsurance by the assuming insurer, and reinsurance recoverable on paid and unpaid losses by the assuming insurer as provided under Section 9C(5)(d) of Model #786. Applicants domiciled in the U.S. must provide the most recent NAIC Annual Statement Blank Schedule F (property/casualty) and/or Schedule S (life and health). Applicants domiciled outside the U.S. may provide this information using Form CR-F (property/casualty) and/or Form CR-S (life and health), which ReFAWG considers sufficient to meet this requirement. This is for purposes of evaluating Prompt Payment of Claims.
- i. **Prompt Payment of Claims** - The assuming insurer must maintain a practice of prompt payment of claims under reinsurance agreements. The lack of prompt payment will be evidenced if any of the following criteria is met: (1) more than fifteen percent (15%) of the reinsurance recoverables from the assuming insurer are overdue and in dispute as reported to the commissioner; (2) more than fifteen percent (15%) of the assuming insurer's ceding insurers or reinsurers have overdue reinsurance recoverable on paid losses of 90 days or more which are not in dispute and which exceed for each ceding insurer \$100,000, or as otherwise specified in a Covered Agreement; or (3)

the aggregate amount of reinsurance recoverable on paid losses which are not in dispute, but are overdue by 90 days or more, exceeds \$50,000,000, or as otherwise specified in a Covered Agreement.

6. Reciprocal Jurisdiction Process – Passporting States

Per the *Uniform Checklist for Reciprocal Jurisdiction Reinsurers* (Exhibit 2), if an NAIC accredited jurisdiction has determined that the conditions set forth under the *Filing Requirements for Lead States* have been met, the commissioner has the discretion to defer to that jurisdiction’s determination and add such assuming insurer to the list of assuming insurers to which cessions shall be granted credit. The commissioner may accept financial documentation filed with the Lead State or with the NAIC. The following document is required to be filed with the state:

- a. **Form RJ-1** - The assuming insurer must agree to and provide a signed Form RJ-1, which must be properly executed by an officer of the assuming insurer.
- b. **Verification of Determination Issued by an NAIC Accredited Jurisdiction** – The applicant must provide a copy of the approval letter or other documentation provided to the applicant by the NAIC accredited jurisdiction. The letter should include the state, effective date, and lines of business.

7. NAIC Staff Review of Reinsurers

The reinsurer will file this information with the initial reviewing state and such Lead State will submit the information to ReFAWG in accordance with the applicable information sharing process. This submission by the Lead State will also facilitate other states’ access to the information. NAIC staff shall prepare a report for review by ReFAWG intended to provide information regarding whether the Lead State’s submission meets the requirements of the ReFAWG Review Process, and to determine whether there are any deficiencies in the application. This report will be considered confidential but may be made available to states through the NAIC’s information sharing process.

NAIC Staff will assist in the review of the filings and in monitoring the ongoing condition of the reinsurers. If during the review process or during an interim period ReFAWG determines that a reinsurer’s assigned rating or status may warrant reconsideration, notice will be sent to the Lead State. The specific issues identified will be presented for discussion during the next ReFAWG meeting.

8. Process for Ongoing Monitoring of Certified Reinsurers

Certified and reciprocal reinsurers are required to file specific information to a certifying state on an ongoing basis. NAIC Staff and ReFAWG will review this information in an effort to assist states with the ongoing monitoring of the reinsurers. All information submitted by reinsurers which is not otherwise public information subject to disclosure shall be exempted from disclosure under the state’s law equivalent of its Freedom of Information Act and shall be withheld from public disclosure.

9. Withdrawal/Termination of a Certified or Reciprocal Jurisdiction Reinsurer

When a reinsurer requests to withdraw its status or the lead state terminates the reinsurer's status as a certified or reciprocal reinsurer, notice of this action should be promptly conveyed to the appropriate NAIC Staff. Once NAIC Staff receives notification of withdrawal or termination, the Passported Certified Reinsurers List(s) will be updated to reflect this status change. The Passported reinsurer will follow the lead state's laws regarding its withdrawal or termination regarding any active reinsurance contracts.

10. Interaction Between Certified Reinsurers and Reciprocal Jurisdiction Reinsurers

- a. Under Section 8A(5) Model #786, credit for reinsurance shall apply only to reinsurance contracts entered into or renewed on or after the effective date of the certification of the assuming insurer with respect to Certified Reinsurers. Under Section 2F(7) of the *Credit for Reinsurance Model Law* (#785), credit shall be taken with respect to Reciprocal Jurisdiction Reinsurers only for reinsurance agreements entered into, amended, or renewed on or after the effective date of the statute adding this subsection, and only with respect to losses incurred and reserves reported on or after the later of (i) the date on which the assuming insurer has met all eligibility requirements to be designated a Reciprocal Jurisdiction Reinsurer, and (ii) the effective date of the new reinsurance agreement, amendment, or renewal.
- b. It is expected that certain assuming insurers may be considered to be Certified Reinsurers for purposes of in-force business and Reciprocal Jurisdiction Reinsurers with respect to reinsurance agreements entered into, amended, or renewed on or after the effective date. In addition, these same reinsurers may also have certain blocks of business that are fully collateralized under the prior provisions of Model #785 and Model #786. The NAIC Blanks will be amended to reflect the status of these reinsurers with respect to each type of insurance assumed.
- c. With respect to those reinsurers that are currently Certified Reinsurers but are seeking recognition by ReFAWG as Reciprocal Jurisdiction Reinsurers for passporting purposes, the same process as outlined in paragraphs 3-6 of this ReFAWG Review Process must be followed. A Form RJ-1 must be filed with each state in which the reinsurer seeks recognition as a Reciprocal Jurisdiction Reinsurer, and the reinsurer must meet all other applicable requirements. However, states may share this information with other states through the NAIC and the ReFAWG Review Process, and previously filed information used in the review of the reinsurer as a Certified Reinsurer may also be utilized in its review as a Reciprocal Jurisdiction Reinsurer. ReFAWG will take full advantage of the passporting process, with the intent of reducing the amount of documentation filed with the states and reduce duplicate filings.

11. Commissioner Shall Create and Publish Lists

Section 2E(3) of Model #785 and Section 8C(1) of Model #786 require the commissioner to publish a list of Qualified Jurisdictions, while Section 2E(4) of Model #785 and Section 8B(2) of Model #786 require the commissioner to publish a list of all Certified Reinsurers and their ratings. Section 2F(2) & (3) of Model #785 and Section 9D and E of Model #786 require the commissioner to (a) timely create and publish a list

of Reciprocal Jurisdictions; and (b) timely create and publish a list of Reciprocal Jurisdiction Reinsurers. It is expected that the commissioner will publish these respective lists on the insurance department's website, along with special instructions or other guidance as to how Certified Reinsurers and Reciprocal Jurisdiction Reinsurers may meet the applicable filing requirements under the models. There currently are no specific requirements as to the format in which these lists must be published, but ReFAWG and NAIC staff will assist the states with questions on the publication of these lists. In addition, ReFAWG will maintain links on its NAIC webpage to the lists published on the insurance departments' webpages.



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July 19, 2021

Mr. John Rehagen
Chair Representative, NAIC Reinsurance Task Force
Via-email to jstultz@naic.org; dschelp@naic.org

Re: ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdictions

Dear Mr. Rehagen:

The American Council of Life Insurers (ACLI) appreciates the opportunity to submit these comments on the NAIC's proposed "ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdictions" (hereafter the "Review Process"). The Review Process and accompanying guidance to states and reinsurers is a critical component of the 2019 amendments to the NAIC's Credit for Reinsurance Model Law (#785) and Model Regulation (#786). Although the 2019 amendments have been passed into law by 40 states and promulgated in approximately 15 states and the Uniform Checklist has been available on the NAIC's website for over a year, we hope that those states that have completed the updates will begin accepting applications from reinsurers to be recognized as reciprocal jurisdictions. We hope that the publication of the Review Process will lead to even more states to begin accepting applications for reciprocal reinsurer status.

ACLI generally supports the proposed Review Process, although we encourage the drafters to clarify section 10(c). We think states and reinsurers would benefit from additional guidance on this point. Section 10(c) notes that

"...previously filed information used in the review of the reinsurer as a Certified Reinsurer may also be utilized in its review as a Reciprocal Jurisdiction Reinsurer... ReFAWG will take full advantage of the passporting process, with the intent of reducing the amount of documentation filed with the states and reduce duplicate filings." (p. 12).

This provision is mentioned in passing in the document, but it is an important point. There is significant overlap in the documents required for Certified Reinsurers and Reciprocal Jurisdictions. Given the overlap between the materials, if a reinsurer applies for reciprocal jurisdiction status in a state where the applicant is already recognized as a certified reinsurer, does the applicant need to

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

provide the full package of materials (financial statements, actuarial opinions, etc.), or can the applicant cross reference the previous Certified Reinsurer application filed with the state? While we expect that the decision to allow cross-referencing previous applications may vary by state, it would be helpful if the NAIC could provide more definitive guidance on the point that information provided by a certified reinsurer can be used in a reciprocal jurisdiction application. We believe that allowing the reinsurer to cross-reference it's certified reinsurer application, without having to re-file voluminous, duplicative filings, is in line with the section 10(c)'s objectives of reducing the amount of documentation filed with states and reducing duplicate filings.

Conclusion

Thank you, as always, for the opportunity to provide these comments and your consideration of our suggestion to provide more detailed guidance in section 10(c). As always, we would be happy to discuss our comments in greater detail if you or your staff have any additional questions.

Sincerely,



Steve Clayburn



Mariana Gomez

NAIC Consultation on Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers

The Association of Bermuda Insurers and Reinsurers ("ABIR") kindly thanks the National Association of Insurance Commissioners ("NAIC") for the opportunity to comment on its consultation on the review process for passporting certified and reciprocal insurers. ABIR represents the public policy interests of Bermuda's leading insurers and reinsurers and make up over 35% of the global reinsurance market based on property & casualty net premiums earned. ABIR members employ over 43,000 Americans in the U.S. and protect consumers around the world by providing affordable and accessible insurance protection and peace of mind.

ABIR also would like to thank the NAIC for effecting revisions to the Credit for Reinsurance Model Law (#785) and Credit for Reinsurance Model Regulation (#786), which implemented the reinsurance collateral provisions of the Covered Agreements with the European Union (EU) and the United Kingdom (UK), thus providing a mechanism for Qualified Jurisdictions, if they meet certain requirements in the credit for reinsurance models, to be afforded the same elimination of collateral requirements as insurers domiciled in the EU and UK.

We acknowledge the areas that the Reinsurance Financial Analysis Working Group (ReFAWG) anticipates providing advisory support and assistance relating to the passporting process, such as:

- Support, encourage, promote and coordinate multi-state efforts in addressing issues related to certified reinsurers, including but not limited to multi-state recognition of certified reinsurers.
- Provide analytical expertise and support to the states with respect to certified reinsurers and applicants for certification.
- Ensure the public passporting website remains current.

ABIR supports a process to facilitate multi-state recognition of assuming insurers and to encourage uniformity among the states. For insurance groups that have multiple entities with Certified Reinsurer status across several states and that plan to apply for Reciprocal Reinsurer status for all entities, then such reinsurer should have the ability to file one set of supporting documents to renew both (as there is a lot of proposed duplication). As per above, having the ability to streamline this submission of the same documentation for both processes would be beneficial not only to the Reciprocal Reinsurers, but to those individuals reviewing applications in the state insurance regulators' offices.

In addition, we would recommend that states are strongly encouraged to collaborate to facilitate uniformity, reduce friction and increase efficiency. More specifically, we encourage the consideration of consistent filing dates (e.g., June 30th) across states for applications & renewals for each of Certified and Reciprocal Reinsurer status. We also encourage the use of a streamlined process as the ReFAWG coordinates with individual states in support of the review process.

We would ask the NAIC to continue efforts to encourage states to adopt passporting, as it is not currently mandatory. We believe that consistency is key, while acknowledging states' 'sovereignty' to manage the application process as they deem appropriate. Utilization of the passporting process does not remove states' ability to make enquiries if there are specific details they wish to obtain about an applicant.

Finally, we would ask that the NAIC consider permitting Reciprocal Reinsurers to submit evidence of their minimum capital and surplus and minimum solvency or capital ratio requirements status (as required by Section 9C(7)) directly to the state insurance regulator on behalf of their supervisory regulators instead of requiring the submission to be made directly by their respective supervisory regulators. This could prove to be a heavy burden on the supervisory regulator to track and collect information, create new forms of 'confirmation' letters, and then actually file with various state insurance regulators. Reciprocal Reinsurers are more likely to have the relevant financial information and systems in place to facilitate this kind of filing.

I am willing to make myself available, if you wish to discuss any of these matters further.

Kind regards
Suzanne Williams-Charles

Suzanne Williams-Charles | Director of Policy and Regulation, Corporate Secretary & Data Privacy Officer | Association of Bermuda Insurers and Reinsurers (ABIR) | Office: 441-294-7221 | Cell: 441-705-4422 | suzanne.williams-charles@abir.bm | O'Hara House, #1 Bermudiana Road, Hamilton, HM 08, Bermuda

July 15, 2021

[VIA EMAIL to jstultz@naic.org and dschelp@naic.org](mailto:jstultz@naic.org)

John Rehagen (MO), Chair Representative of the Reinsurance (E) Task Force
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RE: Feedback on the NAIC's ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers

The Reinsurance Task Force has requested comments on the [ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers](#) ("ReFAWG Review Process"). Thank you for the opportunity to comment on the exposure.

We support the development of the ReFAWG Review Process pursuant to the NAIC's *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786). This process is an important step forward in the implementation of collateral reform that will allow for more equitable application of credit for reinsurance and compliance with the Covered Agreements. We offer a few particular comments on the exposure.

I. Role of NAIC Staff in Reciprocal Jurisdiction Review:

We would request clarification on a key point in the process – the role of NAIC staff in Reciprocal Jurisdiction review, addressed in Section 7 of the proposal. If the Lead State has already made its determination at the time it submits information to the NAIC, then we are not sure what further role there is for staff. Alternatively, if staff will be assisting the Lead State in making its determination, that role is straightforward and may help maintain consistency. In order for the passporting process to work effectively and have credibility with the non-Lead States, it will help for Lead States to follow the same process when reviewing applications.

II. Application of Review Process:

We also note in Section 7 that it is unclear whether this section applies to both Certified Reinsurers and Reciprocal Jurisdictions. We recommend adding language to clarify its applicability.

III. Confidentiality:

Section 8 of the exposure addresses confidentiality, but only in the context of "ongoing monitoring" information. We recommend making the second sentence, related to information submitted by reinsurers, a separate section of the document. The confidentiality provisions indicated should be the approach for all information submitted during the process, not specific just to "ongoing monitoring" information.

IV. Other Comments and Suggestions:

We have a number of additional comments that we suggest will contribute to clarity and consistency in the document for your consideration:

Section 1 – ReFAWG Review Process

- On page 2, section 1.b, we recommend the following clarifying changes:

On June 25, 2019, the NAIC adopted further revisions to the models, which implement the reinsurance collateral provisions of the Covered Agreements with the European Union (EU) and the United Kingdom (UK). These revisions ~~create a new type of jurisdiction, which is called a Reciprocal Jurisdiction and~~ eliminates reinsurance collateral requirements and local presence requirements for EU and UK reinsurers that maintain a minimum amount of own-funds equivalent to \$250 million USD and a solvency capital requirement (SCR) of 100% under Solvency II. The revisions also ~~provide~~ incorporate the "Reciprocal Jurisdiction" concept. Reciprocal Jurisdiction status is afforded to: 1) jurisdictions subject to an in-force Covered Agreement within the U.S.; 2) ~~for~~ accredited U.S. jurisdictions; and 3) Qualified Jurisdictions if they meet certain requirements in the credit for reinsurance models. ReFAWG has also been given additional responsibilities with respect to these "Reciprocal Jurisdiction Reinsurers." ReFAWG will coordinate its efforts with the Mutual Recognition of Jurisdictions (E) Working Group (formerly known as the Qualified Jurisdictions (E) Working Group).

Section 3 – ReFAWG Review Process for Certified Reinsurers

- It is unclear whether the timeline on page 4 applies also to Reciprocal Jurisdictions. We recommend clarifying.

Section 5 – Reciprocal Jurisdiction Process – Initial Application to Lead State

- In section 5.a on page 9, we recommend the following corrections and clarifying language:

The assuming insurer must be licensed to write reinsurance by, and ~~has~~ have its head office or ~~is~~ be domiciled in, a Reciprocal Jurisdiction that is listed on the NAIC *List of Reciprocal Jurisdictions*: A "Reciprocal Jurisdiction" is a jurisdiction, as designated by the commissioner, that meets one of the following: (1) a non-U.S. jurisdiction that is subject to an in-force Covered Agreement with the United States; (2) a U.S. jurisdiction that meets the requirements for accreditation under the NAIC Financial Standards and Accreditation Program; or (3) a Qualified Jurisdiction that has been determined by the commissioner to meet all applicable requirements to be a Reciprocal Jurisdiction.

- In sections 5.b (page 9) and 5.c (page 10), we recommend replacing "complies with" with "satisfies".
- In section 5.c, we recommend ending the first sentence with a colon instead of a period.
- We recommend the following change to section 5.d on page 10 to eliminate both ambiguity and redundancy about what is required in submitting a Form RJ-1:

The assuming insurer must ~~agree to and~~ provide a signed Form RJ-1, which must be properly executed by an officer of the assuming insurer.

Section 6 – Reciprocal Jurisdiction Process – Passporting States

- We recommend the following change to section 6.a on page 11, again regarding the submission of Form RJ-1:

The assuming insurer must ~~agree to and~~ provide a signed Form RJ-1, which must be properly executed by an officer of the assuming insurer.

- In section 6.b on page 11, we suggest the following clarifying edits:

The applicant must provide a copy of the approval letter or other documentation provided to the applicant by the NAIC accredited jurisdiction. The letter should include the ~~approving~~ state, effective date, and ~~approved~~ lines of business.

Section 8 – Process for Ongoing Monitoring and Certified Reinsurers

- For consistency, we recommend the following changes to the first sentence: Certified and ~~Reciprocal~~ ~~Jurisdiction~~ ~~Reinsurers~~ are required to file specific information to a certifying state on an ongoing basis.

Section 10 – Interaction Between Certified Reinsurers and Reciprocal Jurisdiction Reinsurers

- If the NAIC Blanks have already been amended, we recommend the following change to the last sentence of section 10.b on page 12:

The NAIC Blanks ~~will be~~ ~~have been~~ amended to reflect the status of these reinsurers with respect to each type of insurance assumed.

Thank you again for the opportunity to comment on the ReFAWG Review Process.

Sincerely,



Thomas M. Dawson
Partner
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July 19, 2021

VIA ELECTRONIC MAIL

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Mr. Daniel Schelp
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Kansas City, MO 64106-2197

Re: International Underwriting Association of London (IUA) Comments on the June 17th Draft of the ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers (the “ReFAWG Review Process”)

Dear Mr. Stultz and Mr. Schelp:

Thank you for the opportunity to submit comments on the ReFAWG Review Process. The IUA represents more than 70 re/insurers active in the London Insurance Market and has been fully engaged in NAIC debates and discussions regarding changes in U.S. reinsurance regulation for the past two decades. Many IUA members or their affiliates accept U.S. risks both as insurers and as reinsurers. Accordingly, a number of IUA members or their affiliates are well known to the NAIC, being listed by International Insurers Department and are therefore eligible as surplus lines insurers in every U.S. jurisdiction. Similarly, some of those same insurers, functioning as reinsurers, have either established multi-beneficiary reinsurance trusts in the U.S. pursuant to Section 2.D. of the Credit for Reinsurance Model Act (#785) or have qualified as Certified Reinsurers, or both. The IUA understands that some members are applying now for Reciprocal Reinsurer status to various lead states and expects that a number of its members and their affiliates will be applying for reciprocal reinsurer status in the future--- and will be seeking Reciprocal Reinsurer approvals in multiple states via the passport process that ReFAWG is fine-tuning now.

The IUA’s comments with respect to June 17th draft of the ReFAWG Review Process center on the following goals, all designed to build upon the NAIC’s excellent June 17th draft:

- Maximize and leverage ReFAWG’s knowledge and expertise with respect to both Certified and Reciprocal Reinsurers in order to assist in the collection, maintenance and sharing of reinsurers’ financial information with both Lead and Passport States

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- Promote uniformity and consistency with respect to the passport processes for both Certified and Reciprocal Reinsurers—with the goal that, to the maximum extent possible, these processes should be virtually the same, pursuant to a single Uniform Checklist—particularly since for some period of time the same reinsurer may hold both certified and reciprocal statuses
- Centralize and streamline the communication between insurance regulators in Qualified and Reciprocal Jurisdictions and state insurance regulators (and ReFAWG) with respect to the required annual (i) confirmation of minimum capital and surplus levels and (ii) confirmation of solvency/capital ratios for Reciprocal Reinsurers

We note preliminarily that due to the likelihood that certain Certified Reinsurers that desire to obtain Reciprocal Reinsurer status will have two lead states---one for certified status and the other for reciprocal status—the ReFAWG’s support for both Certified and Reciprocal Reinsurer status will prove to be indispensable. Similarly, with the addition of Section 2. f. Change of Lead State, ReFAWG’s experience and leadership should assist with such changes in the future.

Our specific comments on the ReFAWG Review Process are as follows:

1. As just noted, since we believe that many of today’s Certified Reinsurers will also seek to be recognized as Reciprocal Reinsurers and since reciprocal reinsurance “zero collateral” can only be prospective, “old” reinsurance liabilities secured on a reduced collateral basis will remain, perhaps for some years. Reinsurers will need to maintain both statuses. Indeed, we understand that today there are U.S. reinsurance buyers that do not accept certified status or that accept it only for certain classes of business or for reinsurers that meet financial metrics (e.g. minimum policyholders’ surplus of \$5 billion) acceptable to the buyers. We assume, therefore, that there will continue to be reinsurance buyers that will not accept zero collateral. So, for years to come, some reinsurers will continue to be making annual filings to maintain both statuses.

And again it is conceivable that a single non-U.S. reinsurer will have two lead states---one for Certified Reinsurer status and the other for Reciprocal status.

The importance of having the same compliance filing deadlines for both statuses cannot be overstated but we believe that is the intent of all parties. And this should be coupled with an instruction that both Certified and Reciprocal Reinsurers file—ideally either via a single lead state or with ReFAWG directly--only a single set of the same renewal documents each year.

Required minimum capital and surplus (\$250 million) levels are the same, of course, for both statuses. Many elements of initial and annual requalification filings are also the same for both statuses, eg. multiple letters confirming compliance, audited financials, actuarial certifications, etc. The same disclosures as to assumed and ceded reinsurance—CR-F, Parts 1 and 2—are required for both statuses.

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It would be extremely helpful if the states would agree that ReFAWG could be the repository for Certified and Reciprocal Reinsurer filing information, data and documents---at least for annual requalification and for passporting purposes. We again note that the emerging phenomenon of two lead states, one for Certified Reinsurer purposes, one for Reciprocal Reinsurer purposes, highlights the benefit of having ReFAWG be the repository of documents, data and information for both certified and reciprocal reinsurers.

2. Many IUA members and clients that are not IUA members have commented to us about required disclosures/confirmations with respect to disputed or overdue balances owed to cedents. One overarching concern is to confirm that these disclosures are confined to obligations owed to U.S. cedents only and can be made by reinsurers without having to obtain data from U.S. cedents.

Both the US-EU and US-UK Covered Agreements (in Article 3. Paragraph 4. (h)(iii)) have the identical straightforward claims disclosure filing requirement for Reciprocal Reinsurers:

“...prior to entry into the reinsurance agreement and not more than semi-annually thereafter, an updated list of all disputed and overdue reinsurance claims outstanding for 90 days or more, regarding reinsurance assumed from ceding insurers of the jurisdiction of the ceding insurer...”

Beyond this, for reinsurers with both Certified and Reciprocal Reinsurer status, the process is unclear. Will such reinsurers supply only a Certified Reinsurer disclosure? Only a Reciprocal Reinsurer disclosure with respect to overdue and/or disputed claims? Or both Certified and Reciprocal Reinsurer disclosures?

Currently and for a number of years, Certified Reinsurers have become familiar with the following elaboration in the NAIC’s Checklist for Certified Reinsurers on disputed or overdue reinsurance recoverables:

	<p>Disputed and/or Overdue Reinsurance Claims / Business Practices:</p> <p>The Commissioner may consider the applicant’s business practices in dealing with its ceding insurers, including compliance with contractual terms and obligations. The applicant must provide the following if 1) applicant’s reinsurance obligations to U.S. cedents that are in dispute and/or more than 90 days past due exceed 5% of its total reinsurance obligations to U.S. cedents as of the end of its prior financial reporting year; or 2) the applicant’s reinsurance obligations to any of the top 10 U.S. cedents (based on the amount of outstanding reinsurance obligations as of the end of its prior financial reporting year) that are in dispute and/or more than 90 days past due exceed 10% of its reinsurance obligations to that U.S. cedent,</p>
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	<p>Then, in either case, the applicant will provide:</p> <ol style="list-style-type: none"> a. Notice of that fact to the Commissioner and a detailed explanation regarding the reason(s) for the amount of disputed or overdue claims exceeding the levels noted above; and . b. A description of the applicant’s business practices in dealing with U.S. ceding insurers and a statement that the applicant commits to comply with all contractual requirements applicable to reinsurance contracts with U.S. ceding insurers. <p>Upon receipt of such notice and explanation, the Commissioner may request additional information concerning the applicant’s claims practices with regard to any or all U.S. ceding insurers.</p>
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But in the ReFAWG Review Process, Section 5. i. (for Reciprocal Reinsurers) the disputed and overdue claim metrics change:

“i. **Prompt Payment of Claims** - The assuming insurer must maintain a practice of prompt payment of claims under reinsurance agreements. The lack of prompt payment will be evidenced if any of the following criteria is met: (1) more than fifteen percent (15%) of the reinsurance recoverables from the assuming insurer are overdue and in dispute as reported to the commissioner; (2) more than fifteen percent (15%) of the assuming insurer’s ceding insurers or reinsurers have overdue reinsurance recoverable on paid losses of 90 days or more which are not in dispute and which exceed for each ceding insurer \$100,000, or as otherwise specified in a Covered Agreement; or (3) the aggregate amount of reinsurance recoverable on paid losses which are not in dispute, but are overdue by 90 days or more, exceeds \$50,000,000, or as otherwise specified in a Covered Agreement. “

While we understand that the Reciprocal Reinsurer disclosure formulation track the criteria evidencing “lack of prompt payment” in Article 3, Paragraph 4. (i) of both the US-EU and US-UK Covered Agreements, for reinsurers that are both Certified and Reciprocal, a single set of “disputed or overdue” metrics that evidence “lack of prompt payment” would be greatly appreciated. IUA members that plan to have both Certified and Reciprocal Reinsurer status have a strong preference that the current set of metrics in use for Certified Reinsurers be carried through for Reciprocal Reinsurers as well—at least for the reinsurer’s annual requalification filings for both Certified and Reciprocal Reinsurer status.

Then, assuming that the Certified/Reciprocal Reinsurer making a filing triggers either of the Certified Reinsurer disputed and overdue metrics—one for individual cedents (more than 10% of obligations owed to any Top 10 cedent) and the other for the reinsurer’s portfolio of assumed reinsurance from U.S. cedents (5% of all U.S. reinsurance obligations), the Lead State or ReFAWG could then require preparation of a Reciprocal Reinsurer-specific disputed or overdue claims report using the metrics in the two Covered Agreements and in Section 5.i. of the ReFAWG Review Process. Specifically, for the reinsurer’s book of U.S. reinsurance business overall are the disputed or overdue obligations in excess of

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15% of the reinsurer's total book? And for individual reinsureds, if more than 15% of them have overdue (undisputed) recoverables, does the reinsurer owe more than \$100,000 to each of them?

We believe that this two stage approach would be workable ---at least for a transition period when it can be expected that many, if not all, of today's Certified Reinsurers will be seeking Reciprocal Reinsurer status as well.

3. As we commented with respect to the *Process for Evaluating Qualified and Reciprocal Jurisdictions* in our April 23, 2021 letter it would be incredibly helpful to avert a situation in which non-U.S. regulators are asked to prepare and send multiple certifications as to minimum capital and surplus and minimum solvency ratios (i.e. when the reinsurer is approved in multiple jurisdictions). Could ReFAWG be the repository for such certifications, able to confirm to states that request a copy that the "original" confirmation from the overseas regulator is on file with the NAIC? At the absolute minimum, we would urge the states to permit Reciprocal Reinsurers to obtain a single certification from their domiciliary regulator and then supply certified copies to the individual states that require copies—just as non-U.S. insurers do now with customary "good standing" certificates. As the IUA commented earlier this year:

"Section 9C(7) of the *Credit for Reinsurance Model Regulation* (#786) requires the supervisory authority of an assuming insurer domiciled in a Reciprocal Jurisdiction (a "Reciprocal Reinsurer") to confirm on an annual basis to the relevant state insurance regulator that such Reciprocal Reinsurer complies with the minimum capital and surplus and minimum solvency or capital ratio requirements set forth in the *Credit for Reinsurance Model Regulation* (#786). To that end, the new Section III, Paragraph 15 of the *Process for Evaluating Qualified and Reciprocal Jurisdictions* creates a process for Reciprocal Jurisdictions to make annual filings of the relevant financial information.

To make such a filing, the supervisory authority in a Reciprocal Jurisdiction would need to: (1) track on an annual basis which Reciprocal Reinsurers domiciled in their jurisdiction had obtained such status and file the required information on behalf of multiple reinsurers in potentially multiple states; (2) collect the relevant financial information from the Reciprocal Reinsurers domiciled in their jurisdiction; and (3) develop a system for filing such information with U.S. insurance regulators. This filing process would clearly impose considerable burdens on Reciprocal Jurisdictions. The process, however, could be streamlined by adding as an option allowing individual Reciprocal Reinsurers to file the required financial information directly with U.S. insurance regulators [or with ReFAWG].*

A Reciprocal Jurisdiction should be permitted to either make an annual filing as reflected in the proposed draft or, alternatively, issue a document to the Reciprocal Reinsurers confirming the information required by Section 9C(7) of the *Credit for Reinsurance Model Regulation* (#786), similar to a certificate of good standing, which the Reciprocal Reinsurers would then annually file directly with state insurance regulators (e.g., as part of a Reciprocal Reinsurer's application for or renewal of status as a Reciprocal Reinsurer). [or with ReFAWG].*

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Given that the Reciprocal Reinsurers are more likely to already have developed systems of making filings with supervisory authorities in general, allowing those Reciprocal Reinsurers to make the required filings with U.S. insurance regulators [or a single filing with ReFAWG]* directly would likely be more efficient than asking supervisory authorities in Reciprocal Jurisdictions to establish whole new systems and procedures for making [multiple] financial filings on behalf of the Reciprocal Reinsurers domiciled in those Reciprocal Jurisdictions. “

* Pursuant to Section 2. d. of the ReFAWG Review Process:

“The commissioner may accept financial documentation filed with the Lead State or with the NAIC. ReFAWG and the Mutual Recognition of Jurisdictions (E) Working Group will coordinate efforts to obtain and disseminate to the states financial information regarding both Certified Reinsurers and Reciprocal Jurisdiction Reinsurers .” [emphasis added]

We applaud Section 10 of the ReFAWG Review Process, particularly this passage that underscores the desirability of having a single renewal process for both Certified and Reciprocal Reinsurers pursuant to a single Uniform Checklist:

“...states may share this information with other states through the NAIC and the ReFAWG Review Process, and previously filed information used in the review of the reinsurer as a Certified Reinsurer may also be utilized in its review as a Reciprocal Jurisdiction Reinsurer. ReFAWG will take full advantage of the passporting process, with the intent of reducing the amount of documentation filed with the states and reduce duplicate filings.”

On behalf of the IUA many thanks again for the opportunity to submit comments on the proposed ReFAWG Review Process. Please let us know if you or ReFAWG members have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dawson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Thomas M. Dawson

cc: J. Finston
A. Best

**McDermott
Will & Emery**

Sabrina Miesowitz
General Counsel

LLOYD'S

Attachment Six

July 14, 2021

Rolf Kaumann
Chair, Reinsurance Financial Analysis Working Group
Colorado Division of Insurance

Re: ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers

Dear Mr. Kaumann,

This comment letter is submitted on behalf of Underwriters at Lloyd's, London ("Lloyd's"). Lloyd's is one of the largest non-US domiciled providers of reinsurance capacity to the US insurance industry. In 2020, the Lloyd's market assumed over \$6.4 billion in reinsurance premiums from US ceding insurers.

Lloyd's very much appreciates the effort that was put into the ReFAWG Review Process document. Having a clear and documented process will help regulators and reinsurers and result in more efficient evaluations of reinsurer applications. We look forward to working with ReFAWG as the Reciprocal Reinsurer regime comes into effect.

Regards,



July 19, 2021

Director Chlora Lindley-Myers, Chair
Reinsurance (E) Task Force
National Association of Insurance Commissioners
c/o Mr. Dan Schelp and Mr. Jake Stultz
Via e-mail dschelp@naic.org, jstultz@naic.org

Re: NAIC Request for Comments on ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers

Dear Director Lindley-Myers:

The Reinsurance Association of America (RAA) appreciates the opportunity to submit comments on the NAIC's exposure draft of the ReFAWG Review process for Passporting Certified and Reciprocal Jurisdiction Reinsurers. The Reinsurance Association of America (RAA) is a national trade association representing reinsurance companies doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross-border basis. The RAA also has life reinsurance affiliates and insurance-linked securities (ILS) fund managers and market participants that are engaged in the assumption of property/casualty risks. The RAA represents its members before state, federal and international bodies.

We appreciate the Reinsurance Task Force's continued thoughtful engagement with respect to implementation of its 2019 revisions to the NAIC Credit for Reinsurance Model Law and Model Regulation, including its continued work on the passporting process for Certified and Reciprocal jurisdiction reinsurers. This is another important step in the implementation process for the U.S./EU and U.S./UK covered agreements and in the NAIC's expressed goal to revise the credit for reinsurance framework in the U.S. to create an equal playing field for all reinsurers that meet the legal requirements and commitments from the new category of "Reciprocal Jurisdictions."

General Comments

As detailed more specifically below, in general the current draft does not always clearly specify where it applies to Certified Reinsurers and where it applies to Reciprocal Reinsurers, or both. More clarity is needed with respect to whether the guidance is applicable to both categories or is limited to one. In addition, there are differences in the requirements imposed by a lead state Commissioner and a non-lead state commissioner and more clarity as to the requirements of each of those two categories would be helpful.

Also, before the document moves from the initial overview into the specifics relating to individual company applications, it would be useful for this document to provide a summary of or cross-reference to the process for becoming a Qualified or Reciprocal Jurisdiction, as that process is a necessary precursor for the Certified or Reciprocal Reinsurer application and/or passporting process.

The NAIC ReFAWG passporting process – along with other NAIC resources relating to Certified and Reciprocal Reinsurers and Qualified and Reciprocal Jurisdictions should be noted on state websites. In addition, each state should specify on its website its process for entertaining applications for Reciprocal Reinsurers, including whether they are open to passporting so that a company seeking to do business through this process knows and understands the process it must complete in that jurisdiction. Further, we believe ReFAWG and the NAIC should draft sample document(s) that states could evaluate, use or adapt in developing their own websites and related processes for Certified and Reciprocal reinsurers. This would help ensure clarity, consistency and expediency in the process for both state regulators and applicants.

Specific comments relevant to the exposure draft are set forth below.

Section 1: ReFAWG Review Process

Section 1.c. provides a list of issues upon which the Working Group may provide advisory support and assistance. A number of the subcategories make specific reference to Certified Reinsurers, but only one expressly relates to reinsurers domiciled in Reciprocal Jurisdictions. In our view, each of the categories relevant to Certified Reinsurers would also apply to reinsurers from Reciprocal Jurisdictions. We suggest revising this list to reflect application to both Certified and Reciprocal reinsurers.

Section 2: Lead States and Passporting Process

As noted above, to help make the passporting process smoother and more transparent for applicants, it would be extremely helpful if each state would include information on their process on their website. For example, in Section 2.a., it states that a reinsurer seeking recognition as either a Certified or Reciprocal Jurisdiction reinsurer must submit certain information to the state in which it seeks such recognition. Clear guidance on the state's website about the process for an initial application (i.e., seeking to have that state designated as its Lead State) or through passporting is needed, including to whom information should be submitted. If the Commissioner is willing to accept financial documentation filed with the Lead State or with the NAIC (as referenced in Section 2.d.), or to waive requirements for submission of information that is available through the NAIC, it would be very helpful to have that set forth on the state's website.

Section 2.a. should include a reference that makes clear there is a distinction between submitting information to a state as a Lead State for purposes of passporting and submitting a complete application to a state. We recommend the following amendment:

A reinsurer seeking recognition as either a Certified Reinsurer or a Reciprocal Jurisdiction Reinsurer must submit certain information to each ~~the~~ state in which it seeks such recognition. A reinsurer may decide to make a filing with a Lead State and use the NAIC Passporting process to facilitate multi-state recognition or a reinsurer may decide to submit the information to each state as a separate application. Under the ReFAWG Review Process, ReFAWG will assist states with the initial review of this information and provide

guidance to the states in making their review of the reinsurer to determine whether it has met the regulatory requirements to be recognized as a Certified Reinsurer and/or a Reciprocal Jurisdiction Reinsurer.

Sections 2.b. and 2.c. apply to Certified and Reciprocal Reinsurers, respectively. For clarity's sake, we suggest that you include a subheading at the beginning of both paragraphs indicating that the first applies to Certified Reinsurers and the second applies to Reciprocal Reinsurers.

Section 2.d. should be revised to clarify which state may decide whether to rely on the determination of another state. We suggest the following amendment:

If an NAIC accredited jurisdiction has determined that the conditions set forth for recognition as a Reciprocal Jurisdiction Reinsurer have been met, the commissioner of any other state has the discretion to defer to that jurisdiction's determination and add such assuming insurer to the list of assuming insurers to which cessions shall be granted credit. The commissioner may accept financial documentation filed with the Lead State or with the NAIC and is encouraged to support a uniform submission and approval process among the states the NAIC. ReFAWG and the Mutual Recognition of Jurisdictions (E) Working Group will coordinate efforts to obtain and disseminate to the states financial information regarding both Certified Reinsurers and Reciprocal Jurisdiction Reinsurers.

Section 3: ReFAWG Review Process for Certified Reinsurers

To provide clarity between the roles of ReFAWG and NAIC staff as set forth in the timeline, it may be useful to cross-reference Section 7 in this section.

In Section 3.f., the draft states that a Certified Reinsurer is required to notify the Commissioner of a "certifying state" of any regulatory actions, changes in its license or ratings. We suggest modifying this paragraph to make clear that the required notice would be made to the Lead State and then that information distributed through the NAIC or ReFAWG to other relevant states.

Section 4: Certified Reinsurers – Certified by Another NAIC Accredited Jurisdiction

Section 4.b. references the process for verification of certification issued by an NAIC accredited jurisdiction. If this information is also available through the NAIC and ReFAWG processes, then verification through accessing that information also should be referenced.

Section 5: Reciprocal Jurisdiction Process – Initial Application to Lead State

The lead-in paragraph to Section 5 states that reinsurers may provide documentation so that other states may rely on the Lead State's determination. Section 5.a., however, does not specifically refer to any documentation. As a result, the type of documentation that must be provided to the Lead State or to the NAIC is not clear. Cross-reference to the checklist and/or enumeration of what documentation is required would be helpful.

In Section 5.h., ReFAWG should clarify that information should be provided regarding claims to U.S. cedents only. The administrative burden to the applicant of compiling information regarding worldwide claims payments outweighs the regulatory relevance for U.S. regulators regarding these claims payments.

Section 8: Process for Ongoing Monitoring of Certified Reinsurers

Section 8 (as with Sections 9-11) appears to apply substantively to both Certified and Reciprocal reinsurers. If that is correct, then we suggest that the title of that section be modified to reflect that it applies to both categories.

We agree with the substantive intent of the reference to non-public information in this Section. However, we suggest making it clear that the Commissioner is required to maintain the confidentiality of any information submitted by reinsurers that is not otherwise public and not just to withhold that information from public disclosure.

Section 10: Interaction Between Certified Reinsurers and Reciprocal Jurisdiction Reinsurers

Section 10.b. states that it is expected that certain assuming insurers may be considered to be Certified Reinsurers for purposes of “in-force business”. This section should be modified to reflect that such status is not limited just to in-force business but may also apply to the run-off of existing business written under its Certified Reinsurer status.

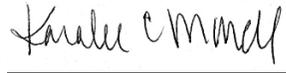
Section 10.c. states that information previously submitted by a reinsurer can be shared with other states through the NAIC and the ReFAWG review process and previously filed information used in the review of a reinsurer may also be utilized in its review as a Reciprocal Reinsurer. We suggest that the draft should go farther to reflect that states should be encouraged to waive the requirements for documents to be separately filed if they can be accessed through the NAIC.

Section 10.d. should address the likely situation where a lead state has adopted the new model law and regulations and a passporting state has not fully adopted them (or vice versa). The guidance should permit a reinsurer that has been approved as a Reciprocal Reinsurer to be approved for passporting by ReFAWG and accepted by a state even if that state has not yet completed the process to implement Reciprocal Jurisdiction/Reinsurer status.

Conclusion

Thank you for your continued work and engagement with us in this important process. We would be happy to answer any questions or discuss any concerns.

Sincerely,



Karalee C. Morell
SVP and General Counsel
Reinsurance Association of America



Final Evaluation Report

**REPUBLIC OF KOREA: FINANCIAL
SERVICES COMMISSION (FSC) &
FINANCIAL SUPERVISORY SERVICE (FSS)**

Approved By:

Mutual Recognition of Jurisdictions (E) Working Group

May 27, 2021

I. Evaluation of Financial Services Commission (FSC) and the Financial Supervisory Service of the Republic of Korea

The Mutual Recognition of Jurisdictions (E) Working Group of the National Association of Insurance Commissioners (NAIC) has completed this *Preliminary Evaluation Report* with respect to the Financial Services Commission (FSC) and the Financial Supervisory Service (FSS), the lead insurance supervisors for the Republic of Korea. It is the recommendation of the Working Group that the NAIC recognize the Republic of Korea as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective upon approval by the NAIC Executive (EX) Committee and Plenary. Further, the Working Group recommends that California be designated the Lead State for purposes of regulatory cooperation and information sharing with the FSC and FSS. These recommendations are based on the following analysis:

II. Procedural History

The NAIC adopted the *Process for Evaluating Qualified and Reciprocal Jurisdictions* (Qualified Jurisdiction Process) on August 27, 2013, with the current revisions effective December 10, 2019. The 2011 revisions to the *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) (collectively, the “Credit for Reinsurance Models”) require an assuming insurer to be licensed and domiciled in a “Qualified Jurisdiction” in order to be eligible for certification by a state as a certified reinsurer for reinsurance collateral reduction purposes.

The purpose of the Qualified Jurisdiction Process is to provide a documented evaluation process for creating and maintaining an NAIC list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. Toward this end, the Qualified Jurisdiction Process designates key elements believed to be basic building blocks for sound (re)insurance regulation. Each jurisdiction under consideration to be included on the *NAIC List of Qualified Jurisdictions* is requested to submit detailed information in support of these criteria. In addition, the NAIC review will also rely on publicly available reports evaluating the reinsurance regulatory practices of each jurisdiction.

The Korean FSC/FSS submitted an application to the NAIC to be considered a Qualified Jurisdiction on September 28, 2020, along with a voluminous amount of supporting documentation. The Working Group met in regulator-to-regulator session on March 17, 2021, to review initial findings prepared by NAIC staff to determine whether the FSC/FSS should be approved as a Qualified Jurisdiction. The Working Group requested additional supplementary information from the FSC/FSS with respect to specific questions raised during this meeting, which the FSC/FSS provided to the Working Group on April 2, 2021.

Notice of the Republic of Korea’s application was sent to the Federal Insurance Office (FIO) and the United States Trade Representative (USTR) on May 5, 2021. The Working Group met in regulator-to-regulator session on May 27, 2021, and voted to recommend the Republic of Korea FSC/FSS for approval as a Qualified Jurisdiction.

III. Review of Evaluation Materials

Under the requirements of the Qualified Jurisdiction Process, the Working Group performed an initial evaluation of the FSC/FSS's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology (Evaluation Materials). The Working Group began by undertaking a review of the most recent Detailed Assessment of Observance on Insurance Core Principles under the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP Report), Report on Observance for Standards and Codes (ROSC), and any other publicly available information regarding the laws, regulations, practices and procedures applicable to the reinsurance supervisory system.

The Working Group also reviewed information the FSC/FSS provided relative to Section A through Section G of the Evaluation Methodology. The Working Group's review was focused on how the Republic of Korea's laws, regulations, administrative practices and procedures, and regulatory authorities regulate the financial solvency of its domestic reinsurers in comparison to key principles underlying the U.S. financial solvency framework and other factors set forth in the Evaluation Methodology.

The Working Group considered the following information with respect to the evaluation of the FSC/FSS:

1. *Republic of Korea FSC/FSS 2020 Qualified Jurisdiction Application Submission (Confidential)*
2. *Republic of Korea: Financial System Stability Assessment, May 2014 (International Monetary Fund Country Report No. 14/126)*
3. *Republic of Korea: Financial System Stability Assessment and Press Release for the Republic of Korea, April 2020 (International Monetary Fund Country Report No. 20/120)*
4. *Republic of Korea: Financial Sector Assessment Program, Insurance Core Principles, Detailed Assessment of Observance, May 2014 (World Bank and International Monetary Fund Report No. 89501)*
5. *Enforcement of judgments in South Korea: overview: Practical Law Country Q&A, by Wonsik Yoon, Thomas P Pinansky, Myounghwan Kim, and Chaewon Kang, Barun Law LLC (September 1, 2015)*
6. *Litigation and enforcement in South Korea: overview: Practical Law Country Q&A, by Jin Yeong Chung, Inhak Lee, and Jong-Hyun KIM, Kim & Chang (April 1, 2021)*
7. *NAIC Staff Workpapers on Initial Review Report dated March 17, 2021 (Confidential)*
8. *Republic of Korea FSC/FSS Outstanding Queries from NAIC Qualified Jurisdiction Assessment, April 2, 2021 (Confidential).*

IV. Standard of Review

The evaluation is intended as an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards and relevant international guidance for recognition of reinsurance supervision. The standard for qualification of a jurisdiction is that the NAIC must reasonably conclude that the jurisdiction's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is deemed acceptable for purposes of reinsurance collateral reduction, that the jurisdiction's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that the jurisdiction's laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models.

V. Evaluation Recommendation

The Working Group finds that it has performed the required review of the Evaluation Materials, including review of the publicly available information, and that the FSC/FSS provided the Working Group with information relative to Section A through Section G of the Evaluation Methodology to update and supplement the identified public information. The Working Group further finds that interested parties will be given an opportunity to provide public comments on the FSC/FSS application. Further, appropriate notice was provided to the FIO and the USTR. Based on the information provided by the FSC/FSS and the review of the Evaluation Materials, the Working Group has determined that there is no indication that the Republic of Korea fails to adequately and promptly enforce final U.S. judgments and arbitration awards.

Finally, the Working Group notes that the FSC/FSS and the California Department of Insurance are signatories to the IAIS Multilateral Memorandum of Understanding (MMoU), and that California has consented to act as the Lead State for purposes of regulatory cooperation and information sharing under the Qualified Jurisdiction Process, and further that the FSC/FSS has consented to the designation of California as the Lead State. This Lead State designation for purposes of regulatory cooperation and information sharing should not be confused with the Lead State designation by the Reinsurance Financial Analysis (E) Working Group for individual certified reinsurers for passporting purposes.

The Working Group has reached the conclusion that the FSC/FSS's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is acceptable for purposes of reinsurance collateral reduction, that the FSC/FSS's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that its laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models. Therefore, it is the recommendation of the Working Group that the NAIC recognize the Republic of Korea as a Qualified Jurisdiction with respect to reinsurance companies regulated by the FSC/FSS and place it on the *NAIC List of Qualified Jurisdictions*, to be effective upon approval by the NAIC Executive (EX) Committee and Plenary. This designation as a Qualified Jurisdiction shall be valid on an ongoing basis, absent a material change in circumstances.

John Rehagen (MO)
Chair of the Reinsurance (E) Task Force
National Association of Insurance Commissioners
NAIC Staff: Jake Stultz and Dan Schelp

On behalf of the American Property Casualty Insurance Association and American Council of Life Insurers, we appreciate the opportunity to comment on the Republic of Korea Final Evaluation Report as to whether to designate Korea as a Qualified Jurisdiction.

Local Korean branches of U.S. reinsurers are hindered in conducting business because they are required to localize all personal data onshore and are not permitted to transfer such data outside of Korea, even to their headquarters and affiliates. These rules impede foreign reinsurers' ability to underwrite, manage risk, comply with regulatory requirements like OFAC rules, and transfer risk to other reinsurers, all of which are activities that are in the ordinary course of reinsurance business.

Korea has been interpreting its laws to prohibit offshore transfer of personal information unless the reinsurer obtains specific, prior consent from the policyholder, rather than allowing the reinsurer to rely on the consent obtained by the insurance (ceding) company. Reinsurers have no relationship with policyholders and are generally unable to obtain such consent.

We believe Korea's actions are in contravention of their commitments under the Korea-U.S. Free Trade Agreement (KORUS), which went into effect in 2012. The KORUS stipulates in Annex 13B, Section B that each party shall allow a financial institution of the other party to transfer information in electronic or other form, into and out of its territory, for data processing where such processing is required in the institution's ordinary course of business. The U.S. government (in particular, USTR and Treasury) has been working for years to persuade Korea to change these restrictions and allow financial services companies, including reinsurers, to transfer personal data offshore, as provided in the KORUS.

Under Korea's current interpretation of its law and pursuant to the standard consent form provided to insurers by the Korean government, insurance companies are permitted to transfer data to reinsurers located onshore in Korea, but those reinsurers are not permitted to transfer that data offshore, even to an affiliate. Thus, it is unduly difficult and inefficient for U.S. reinsurers to provide reinsurance to Korean insurers.

Korea has recently advised the U.S. government that it plans to change this policy to comply with KORUS, but as of now, reinsurers are still required to localize all personal and sensitive data in Korea. We understand that Korea has indicated that it will revise the standard policyholder consent forms for new business and to change its interpretation of existing consent forms to allow reinsurers to transfer personal data offshore to their headquarters, affiliates, and third-party service providers, as envisioned in the KORUS. We also understand that Korea will

not extend this new interpretation to transfers to retrocessionaires, even though retrocessions are just reinsurance for reinsurers.

Until these issues are resolved and U.S. companies with reinsurers in Korea are permitted to conduct business freely and as intended by the KORUS, we request that Korea not be granted preferential treatment by being designated as a Qualified Jurisdiction.

We understand that this is a complicated issue and not explicitly encompassed in any “reinsurance” specific regulation, but the effect of Korea’s policies is to deny U.S. reinsurers reciprocal treatment. The Credit for Reinsurance Model Regulation requires U.S. regulators to consider the extent of reciprocal recognition afforded by the non-U.S. jurisdiction to reinsurers licensed and domiciled in the U.S. We are happy to provide additional information and discuss this issue further.

Sincerely,



Robert Woody
Vice President,
Reinsurance & Counsel
APCIA



David Snyder
Vice President,
International & Counsel
APCIA



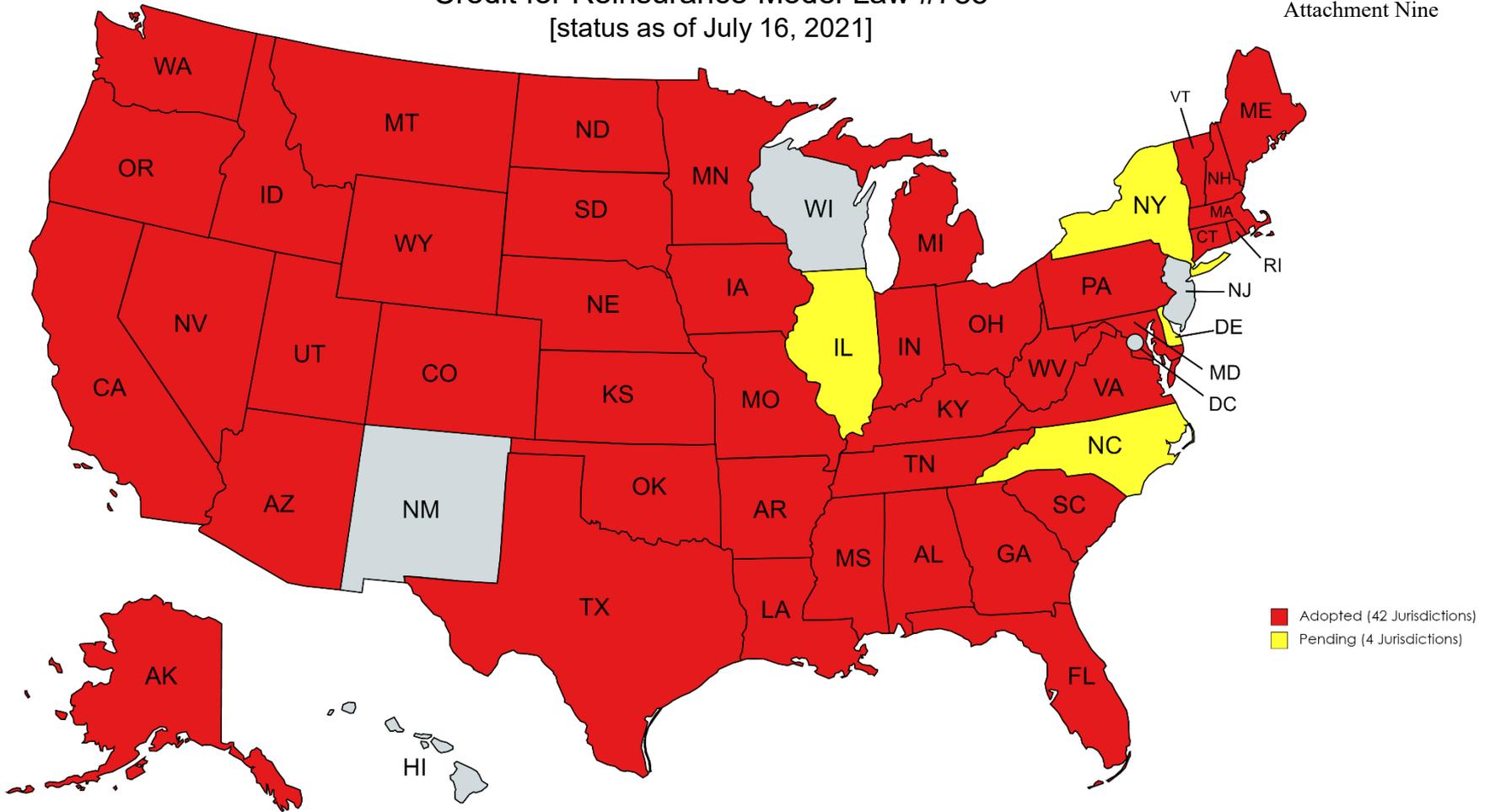
Brad Smith
Chief International Officer
ACLI

The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

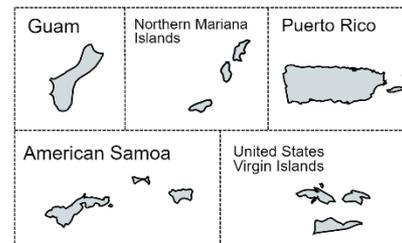
The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 94 percent of industry assets in the United States.

Implementation of the 2019 Revisions to the Credit for Reinsurance Model Law #785 [status as of July 16, 2021]

Attachment Nine



■ Adopted (42 Jurisdictions)
■ Pending (4 Jurisdictions)

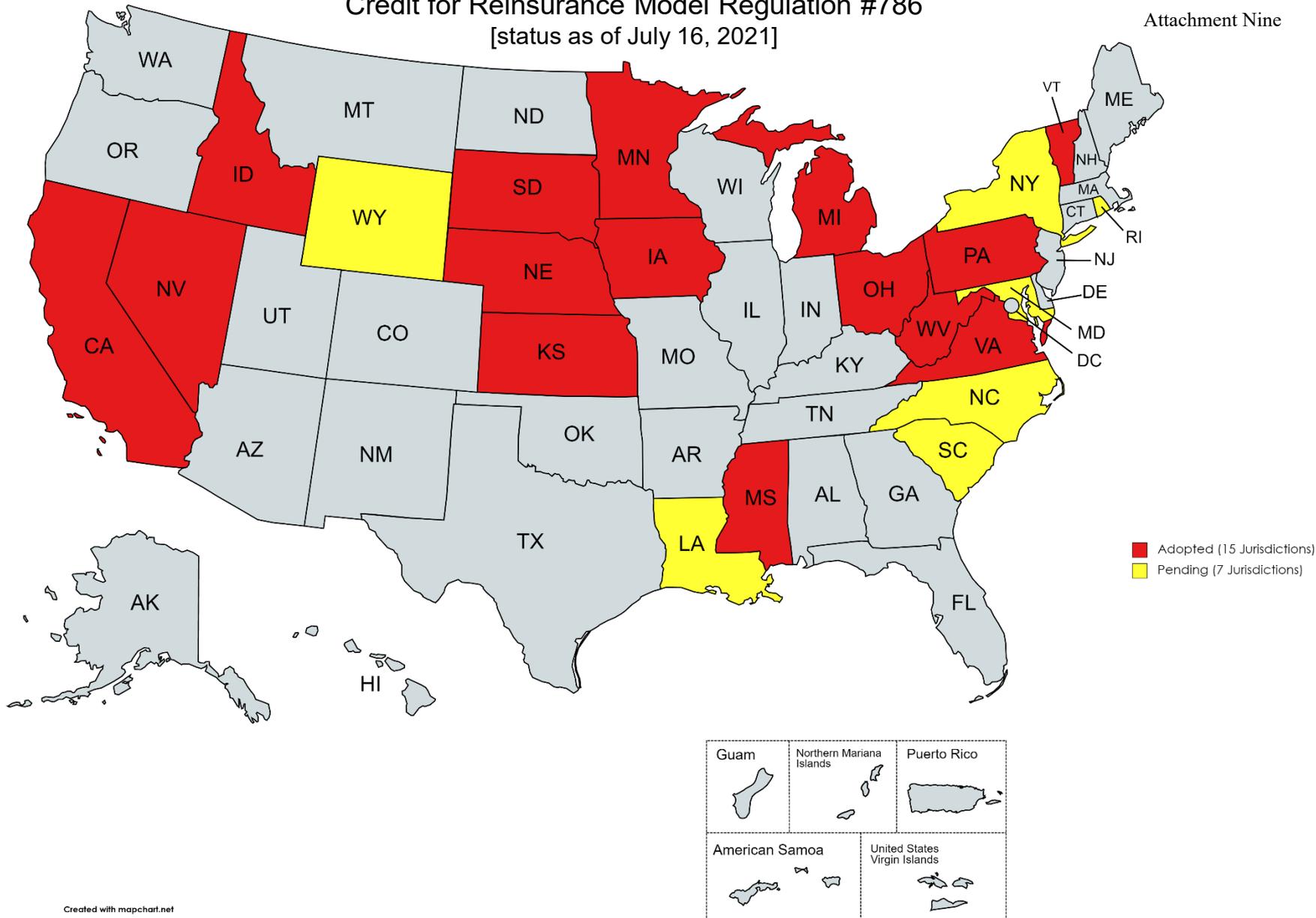


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Disclaimer: This map represents state action or pending state action regarding NAIC amendments to the model(s). This map does not reflect a determination as to whether the pending or enacted legislation contains all elements of NAIC amendments to the model(s) or whether a state meets any applicable accreditation standards.

Implementation of the 2019 Revisions to the Credit for Reinsurance Model Regulation #786 [status as of July 16, 2021]

Attachment Nine



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