February 17, 2022

Mr. Mike Boerner

Chair, Life Actuarial (A) Task Force

National Association of Insurance Commissioners

Subject: APF 2022-01 – Clarifying Retrocessions

Dear Mr. Boerner,

My comment is with respect to the reserve that should be set up by the assuming party of a coinsurance agreement that retrocedes non-guaranteed YRT reinsurance business. Under APF 2022-01 this reserve would be ½ cx.

Whereas the reinsurer of a non-guaranteed YRT reinsurance agreement has the right to increase the YRT reinsurance premium rates, the reinsurer of a coinsurance agreement that is compliant with Appendix A-791 of the Accounting Practices and Procedures Manual will generally not have the right to increase the coinsurance reinsurance premiums.

I recommend having ½ cx as the reserve floor (assuming YRT reinsurance premiums are paid annually), but require modeling (for determining the DR and SR, as applicable) if the coinsurance treaty reinsurer believes the reinsurer of the YRT treaty may have less of an incentive to increase the YRT reinsurance premium rates on a timely basis due to its retrocession of the assumed business via the coinsurance treaty.

Sheldon Summers

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