

Proposed Guidance Statement:

Upon review of 2018 Schedule F Part 3 filings, it has been observed that many filers reported reinsurance recoverable amounts due from Lloyd's of London Syndicates as being NAIC 6-Unrated; and therefore subject to the highest credit risk charge.

However, the RBC Instructions for PR012 - Credit Risk for Receivables provides that: "An authorized association including incorporated and individual unincorporated underwriters or a member thereof may utilize the lowest financial strength group rating received from an approved rating agency." This instruction is applicable to reinsurance recoverable from individual syndicates of Lloyds' of London that are covered under the Lloyd's Central Fund; and are therefore eligible to be treated as rated for the purposes of PR012 and the R3 Credit Risk component of RBC. This treatment is consistent with the NAIC Credit for Reinsurance Model Law and Regulation concerning applicable NAIC ratings designations for the purpose of determining reduced collateral requirements.