

Date: August 4, 2022

Plan for the List of MWG Considerations – PE Related and Other

Some of these Working Group projects will continue for several years. The status of the 13 MWG Considerations is as follows as of August 4, 2022:

1. Holding Company Structures:
Sent a referral for new work to the Group Solvency Issues (E) Working Group.
2. Ownership and Control:
Sent a referral for new work to the Group Solvency Issues (E) Working Group.
3. Investment Management Agreements (IMAs):
Sent a referral to the Risk-Focused Surveillance (E) Working Group to add this consideration to existing work involving affiliated agreements and Form D filings. Also sent a referral to the Valuation of Securities (E) Task Force (VOSTF) to highlight the regulatory discussion involving topics it administers.
4. Owners of Insurers with Short-Term Focus and/or Unwilling to Support a Troubled Insurer:
Sent a referral to the Risk-Focused Surveillance (E) Working Group to add this consideration to existing work involving affiliated agreements and fees. Also sent a referral to the Life Actuarial (A) Task Force recognizing its existing work to ensure the long-term life liabilities (reserves) and future fees to be paid out of the insurer are supported by appropriately modeled assets.
5. Operational, Governance and Market Conduct Practices:
The MWG will keep developing more specific suggestions before likely referring this consideration to the Risk-Focused Surveillance (E) Working Group.
6. Definition of Private Equity (PE):
No action was deemed necessary for this consideration.
7. Identifying Related Party-Originated Investments (Including Structured Securities):
Sent a referral to the Statutory Accounting Principles (E) Working (SAPWG) Group recognizing its existing work regarding disclosures for related-party issuance/acquisition. Once MWG regulators work with these SAPWG disclosures and regulatory enhancements from referrals to other groups, further regulatory guidance may be considered as needed.
8. Identifying Underlying Affiliated/Related Party Investments and/or Collateral in Structured Securities:
Sent a referral to the Statutory Accounting Principles (E) Working Group in recognition of existing work to develop disclosures to identify the role of the related party in the investment and codes for relationships in securitizations or similar investment. Also sent a referral for new work to the Examination Oversight (E) Task Force for the CLO/structured security considerations.

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9. Asset Manager Affiliates and Disclaimers of Affiliation:

MWG regulators are comfortable waiting to realize the benefits of the recently implemented Schedule Y, Part 3, along with the changes other NAIC committee groups will make for several of the previously listed referrals, before determining if additional work is needed. Also, a referral was sent to the Statutory Accounting Principles (E) Working Group recognizing its existing work to revamp Schedule D reporting along with the previously mentioned code disclosures will assist with this consideration.

10. Privately Structured Securities:

Sent a referral to the Life Actuarial (A) Task Force recognizing its existing work on an Actuarial Guideline including disclosure requirements for the risks of privately structured securities and how the insurer is modeling the risks. Sent a referral to the VOSTF highlighting the MWG regulators' support for the blanks proposal to add market data fields for private securities being considered by the Valuation of Securities (E) Task Force (VOSTF). MWG regulators will wait on any further work or referrals until they have an opportunity to work with the results of the VOSTF proposal and the SAPWG Schedule D revamp project. Sent a referral for new work to the RBC Investment Risk and Evaluation (E) Working Group to address the tail risk concerns not captured by reserves.

11. Reliance on Rating Agencies:

Sent a referral to the VOSTF indicating the MWG regulators' agreement to monitor the work of its ad hoc group addressing various rating agency considerations.

12. Pension Risk Transfer (PRT) Business Supported by Complex Investments.

a. LATF's Actuarial Guideline:

Sent a referral to the LATF recognizing its work on an Actuarial Guideline which should address the reserve considerations of pension risk transfer (PRT) business. Sent a referral to the SAPWG to address the related disclosure considerations as the goal was to have them in the Notes to Financial Statements.

b. Department of Labor Protections:

NAIC staff have engaged the Department of Labor to begin discussions.

c. State Guaranty Funds Compared to PBGC Protection – NOLHGA 2016 Study:

No further action was deemed necessary.

d. RBC Treatment of PRT Business:

Sent a referral to the Longevity Risk (E/A) Subgroup recognizing its work will also address PRT business and indicating the MWG regulators will monitor this work.

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13. Offshore/Complex Reinsurance:

MWG regulators are scheduling and have already held some confidential discussions with industry participants regarding the use of offshore reinsurers and complex affiliated reinsurance vehicles as well as other activities included in this list. MWG regulators will consider further work and/or referrals once they have gained more insights.