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Mr. Jake Stultz  
Senior Accounting and Reinsurance Policy Advisor  
and  
Mr. Dan Schelp  
Chief Counsel, Regulatory Affairs  
National Association of Insurance Commissioners  
1100 Walnut St.  
Kansas City, MO 64106  
*[via e-mail]*

**Re: Process for Evaluating Qualified and Reciprocal Jurisdictions & evaluations of France, U.K., Ireland and Germany**

Dear Messrs. Stultz and Schelp:

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. Ninety million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. 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 95 percent of industry assets in the United States. ACLI also represents all professional life reinsurers assuming mortality and morbidity risks in the United States.

We appreciate the opportunity to comment on the exposure draft updating the process for evaluating qualified and reciprocal jurisdictions. We generally support the exposure draft, although there were a few areas we felt could benefit from additional clarity or minor revisions. Our technical comments are below:

**TECHNICAL COMMENTS**

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

Item 3, page 5

The proposed language in item 3 states that in order for a Qualified Jurisdiction to become a Reciprocal Jurisdiction it must "agree to adhere to the same reciprocity standards" as Covered Agreement Jurisdictions "including the requirement that the Qualified Jurisdiction must agree to recognize the states' approach to group supervision, including group capital, as provided under the Credit for Reinsurance Model Act." While this is true, the reciprocity standards go beyond the recognition of the U.S. group capital and group supervision regime (e.g., the qualified jurisdiction cannot require a local presence requirement in exchange for reinsurance credit, impose group supervision/group capital at the world-wide parent level, and must establish an information sharing agreement).

**Recommendation:** Consider expanding this section to include all relevant reciprocity standards.

Questions about item 3, page 5:

- *How will adherence to reciprocity be evaluated by the Qualified Jurisdiction Working Group?*

### **Section III. Procedure for Evaluation of Non-US Jurisdictions**

#### Item 2b (Evaluation of Jurisdiction), page 8

In item 2b (page 8), the draft adds a provision indicating the NAIC will notify non-US jurisdictions of any "additional information" upon which the Working Group is relying on "beyond the information" provided by the jurisdiction.

Item 2a notes that the Working Group may request or accept relevant information from reinsurers domiciled in the jurisdiction under review. It is unclear if information from reinsurers domiciled in the jurisdiction is the "additional information" that the Working Group is referencing in 2b, or if the Working Group is contemplating sources other than reinsurers who are domiciled in the jurisdiction and the other listed sources in 2a. In any case, it might be useful to know the authority surrounding the collection of "additional" information. It would also be instructive to know if the Working Group currently relies on this type of "additional information" in their evaluation practices.

#### Item 13(c)(iii) (Review of Qualified Jurisdictions as Reciprocal Jurisdictions), page 14

Item 13(c)(iii) tracks section 9(B)(3)(c) of the Credit for Reinsurance Model Regulation (#786) very closely. It appears that the intent of item 13(c)(iii) is to establish that an insurer's group supervisor, and the corresponding group supervisory authority and rules, should be controlling. Thus, all other supervisors should respect the jurisdiction's supervisory authority and not apply additional "group governance, solvency, capital or reporting requirements." While we recognize that this language mirrors section 9(B)(3)(c) of the Credit for Reinsurance Model Regulation, we are recommending a small change to improve the clarity of the provision:

**Recommendation:** We suggest rewording, as follows, to clarify the applicable supervisor authority:

*"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 insurers and insurance groups that are domiciled or maintain their headquarters in this state or another US jurisdiction accredited by the NAIC shall be subject only to worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, ~~as by the applicable US regulator,~~ and will not be subject to group supervision, at the level of the worldwide parent undertaking of the insurance or reinsurance group, by the Qualified Jurisdiction;"*

Item 13(c)(v), page 14-15

This item requires that non-U.S. jurisdictions must confirm that their assuming insurers who have been granted an “exemption” from state collateral requirements are complying with the minimum capital and surplus levels and ratios required in section 9(c)(2) and 9(c)(3) of the Credit for Reinsurance Model Regulation.

We recommend substituting the word “relief” for exemption, because “relief” is a better representation of the public policy positions guiding the collateral reduction provisions in section 9. The sections providing for reduced and zero collateral are just two, among a variety of ways, that a U.S. ceding insurer may receive credit for reinsurance. We don’t believe that these two mechanisms for credit are “exemptions” – instead they represent public policy decisions based on sound domiciliary regulation and the assuming insurers ability and willingness to pay.

**Recommendation:** Substitute the word “relief” for exemption in item 13(c)(v), page 14.

Item 13(d), bullet 2, page 15

This section sets the criteria for the written confirmation that the chief insurance supervisor of a Qualified Jurisdiction being evaluated as a Reciprocal Jurisdiction must provide to the NAIC. We recommend clarifying the language in bullet 2, for the same reasons we cited in item 13(c)(iii).

**Recommendation:** We suggest rewording, as follows, to clarify the applicable supervisor authority:

*“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 insurers and insurance groups that are domiciled or maintain their headquarters in this state or another US jurisdiction accredited by the NAIC shall be subject only to worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as by the applicable US regulator, and will not be subject to group supervision, at the level of the worldwide parent undertaking of the insurance or reinsurance group, by the Qualified Jurisdiction;”*

**Conclusion**

Again, thank you for the opportunity to review and submit comments on the exposure draft, as well as the opportunity to review the re-evaluations and approvals of the United Kingdom, France, Germany, and Ireland. We look forward to the opportunity to review the re-evaluations of Bermuda, Switzerland and Japan. Thank you for your ongoing work on this task.

Sincerely,



Mariana Gomez-Vock

Steven Clayburn, FSA, MAAA