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VIA ELECTRONIC MAIL

Mr. Jake Stultz
Senior Accounting and Reinsurance Policy Advisor
National Association of Insurance Commissioners
1100 Walnut Street Suite 1500
Kansas City, MO 64106-2197

Mr. Daniel Schelp
Chief Counsel, Regulatory Affairs
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

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

Dear Mr. Stultz and Mr. Schelp:

Thank you for the opportunity to again, on behalf of the International Underwriting Association of London (IUA), submit comments on the Review Process. The IUA and its members that maintain certified reinsurer status and that plan to obtain reciprocal reinsurer status remain vitally interested in working with the NAIC and state regulators in these two areas. The IUA and its members truly appreciate the changes that have been made in the September 17th draft of the Review Process, particularly:

- the statement in section 2.d. that encourages states “to support a uniform submission and approval process” for both certified and reciprocal reinsurers;
- the affirmations: (i) in section 3.f. that ReFAWG will seek to centralize notifications to certifying states as to ratings changes, and (ii) in section 5.b. that ReFAWG will coordinate with the Mutual Recognition Working Group to ensure that with respect to reciprocal reinsurers that a single annual home country regulator certification as to maintenance of minimum capital and surplus and satisfaction of minimum capital and solvency ratios will be made available to all states; and
- in section 10.c. permitting reinsurers that have secured certified reinsurer status to cross-reference information and documentation already compiled and filed so that duplicate filings of such information and documentation can be eliminated in the reciprocal reinsurer process.

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As you know, in our initial July 19th comment letter, we addressed at length the subject of disputed and overdue claims and the disclosure differences between certified and reciprocal reinsurers in the event that there are disputed or overdue claims. For reinsurers that will maintain status as both certified and reciprocal reinsurers, we continue to urge that lead states and ReFAWG adopt what would be in essence a two stage review process at least during a transition period when the same reinsurer has both certified and reciprocal reinsurer status—first, apply the certified reinsurer metrics and second, as and when necessary, apply the reciprocal reinsurer metrics. We have quoted below for ease of reference the relevant paragraph from our July 19th letter

“...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 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?”

For all reinsurers that will be both certified and reciprocal reinsurers for the foreseeable future, we believe that the September 17th draft of the Review Process materially advances the overarching goal of promoting uniformity and consistency with respect to the passport processes for both certified and reciprocal reinsurers. The IUA and its members will be pleased to continue working with lead states and the ReFAWG to improve and fine tune the review process based on experience in the coming years.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dawson", with a long horizontal flourish extending to the right.

Thomas M. Dawson

Cc: A. Best – MWE
J. Finston - MWE

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