

October 4, 2019

Dear Mr. Stultz,
Dear Mr. Schelp

Thank you and the NAIC for the possibility to comment on the proposed revisions to the *Process for Evaluating Qualified and Reciprocal Jurisdictions*. We appreciate the substantial effort the NAIC and state regulators have invested into bringing forward this subject matter.

As to the reciprocal jurisdiction's recognition of the U.S. state regulatory approach to group supervision and group capital,
We would like to comment on one specific subparagraph in section III.13.d. on page 15 of the exposed document. In the draft, this paragraph reads:

- [Jurisdiction] recognizes the U.S. state regulatory approach to group supervision and group capital, and confirms that insurers and insurance groups that are domiciled or maintain their headquarters in jurisdictions accredited by the NAIC shall be subject only to worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, and will not be subject to group supervision at the level of the worldwide parent undertaking of the insurance or reinsurance group by the [Jurisdiction].

Our understanding during the process has been that US state insurance regulators want to prevent (sub-)group supervisors of other jurisdictions from performing a worldwide insurance group supervision if the worldwide parent is domiciled in the US. In lieu thereof, such an insurance group should be supervised by one of the U.S. state regulators. As a matter of fact, Switzerland never has and would not claim to supervise the global group in this context, hence we have no objection against the intention of the paragraph cited above.

However, we believe the drafted wording is ambiguous as it is not sufficiently clear that the term "worldwide parent undertaking" refers to the worldwide insurance parent undertaking domiciled in the US. We illustrate this with the following example: In the case of an insurance group with the worldwide parent undertaking domiciled in the qualified jurisdiction and with a subgroup domiciled in the US, the paragraph could be interpreted and read in a way that the supervisor in the qualified jurisdiction would not be allowed to perform the worldwide group supervision, while this would be rather done by a U.S. state supervisor. This means that a regulator of a U.S. state being home to a subgroup of an international insurance group would request to be the global group supervisor.

This second interpretation is probably not the intended goal of the exposure draft. In order to avoid any ambiguity and legal uncertainty in this respect, we suggest an alternative wording, for instance:

- [Jurisdiction] recognizes the U.S. state regulatory approach to group supervision and group capital, and confirms that ~~insurers and~~ insurance ~~or reinsurance~~ groups that ~~maintain their headquarters and the worldwide insurance parent undertaking~~ in jurisdictions accredited by the NAIC shall be subject only to worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, and will not be subject to group supervision at the level of ~~thethat~~ worldwide parent undertaking ~~of the insurancee or reinsurancee group~~ by ~~the~~ [Jurisdiction].

The same observation and suggestion applies also to a corresponding paragraph in section III.13.c, which could be amended as well.

We thank you for carefully considering our concern and thank again for the opportunity to comment. We stand ready to address any questions you may have.

Sincerely,

Thomas Luder

Insurance & Risks
Financial System & Financial Markets
State Secretariat for International Finance SIF
Swiss Federal Department of Finance FDF
Bundesgasse 3, CH-3003 Bern – Schweiz