ATHENE

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John Rehagen, Chair
Monica Macaluso, Vice Chair
Mutual Recognition of Jurisdictions (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106

Via email: Jstultz@naic.org; dschelp@naic.org

Re: Comment on the Application of the Cayman Islands for Inclusion on the NAIC List of Qualified Jurisdictions

Dear Chair Rehagen and Vice Chair Macaluso:

Athene appreciates the opportunity to comment on the application of the Cayman Islands for recognition as a Qualified Jurisdiction. While we don't have access to the complete application, we assume it seeks recognition on a comprehensive basis, spanning both life and property-and-casualty reinsurance. We submit these comments to assist the Working Group in applying the Process for Evaluating Qualified and Reciprocal Jurisdictions, and we do so without access to the confidential application materials. Our observations are therefore directed at the published record and at the criteria set out in the Evaluation Methodology.

We offer this letter in a constructive spirit. Athene is one of the largest issuers of retirement products in the United States and a substantial and regular user of cross-border reinsurance, including in internationally recognized jurisdictions. We are not opposed to the Cayman Islands, and we do not doubt that some individual reinsurers domiciled there are well managed and well capitalized. Our position is narrower and, we hope, more useful: Qualified Jurisdiction recognition is a consequential act, the standard for it is demanding, and on the current record there remain specific, identifiable areas in which the Cayman framework does not yet achieve outcomes consistent with that standard. Those areas should be addressed before recognition is granted, not after.

Recognition is a substantive grant, not a formality

It bears restating what Qualified Jurisdiction status does. It permits a ceding insurer, upon certification of the reinsurer, to take credit for reinsurance while holding collateral below 100% of the ceded U.S. liabilities. The current 100% requirement is not an administrative default; it is the mechanism by which the state-based system protects U.S. policyholders when risk leaves the U.S. statutory perimeter. Reducing collateral is a decision to substitute confidence in another jurisdiction's supervision for collateral that would have

been transferred to such system. The evaluation exists precisely because that substitution must be earned. Moreover, under the NAIC's proposed reinsurance recapture risk charge, recognition would no longer relax one safeguard but two: first, Reciprocal Jurisdiction status, for which Qualified Jurisdiction status is the necessary first step, would (1) eliminate collateral, and (2) exempt the ceding insurer from the planned recapture risk charge. Both requirements exist to make sure real assets stand behind U.S. policyholders if the reinsurer cannot perform. A determination that gets it wrong removes both safeguards at once, which makes getting it right more consequential than ever.

The scale involved counsels care rather than speed. Cayman-domiciled reinsurers held roughly $138 billion in assets as of the third quarter of 2026, up from approximately $23 billion in 2020[1], and now support over $100 billion in U.S. life and annuity liabilities[2]. The number of Cayman Class D reinsurer licenses almost tripled between 2018 and 2026. A market growing this quickly, against this volume of U.S. obligations, leaves little margin for supervisory error, particularly also considering the influence that Cayman practices have increasingly had on onshore captive formations in the US. The burden properly rests on the applicant and on the record to demonstrate that Cayman's regulatory framework delivers outcomes consistent with U.S. requirements; it is not for commenters or regulators to assume the gaps away.

The governing standard is the effectiveness of the entire supervisory system, measured against U.S. solvency regulation

The Evaluation Methodology is deliberately outcomes-based. It calls for a comparison of the applicant's supervisory system to the key elements of the NAIC Financial Regulation Standards and Accreditation Program, and it directs that a determination rest on "the effectiveness of the entire reinsurance supervisory system within the jurisdiction." That framing is the right one, and it is decisive here. The question is not whether the Cayman Islands has a supervisor, a capital rule, and a reporting regime; every serious jurisdiction does. The question is whether those elements, taken together and in practice, produce protection for U.S. policyholders commensurate with what the U.S. system provides.

Applied honestly, that test surfaces a gap that collateralization alone does not close. U.S. policyholder protection depends on total assets – base reserves plus solvency capital – not on reserves alone. A regime can secure the reserve obligation in full and still leave a materially thinner cushion above it to absorb stress. Recent enhancements to the NAIC framework, including AG 55 and the newly adopted VM-22 standards, improve asset-adequacy analysis and transparency – and, as discussed below, AG 55 has already proven its value as a diagnostic – but they do not set minimum solvency capital above base

[1] Cayman Islands Monetary Authority, *Insurance Statistics* (2026) (https://www.cima.ky/insurance-statistics).
[2] US statutory financials as aggregated by SNL Financial

reserves in an assuming jurisdiction, and they do not themselves verify capital, reserving, governance, or disclosure outcomes abroad. The Qualified Jurisdiction evaluation is the tool that reaches those questions. It should be used to its full extent.

Where the current Cayman framework falls short

The appendix to this letter sets out our observations in more detail, organized against the Working Group's own evaluation sections and cross-referenced to the substantive areas of concern. In summary, four areas warrant particular scrutiny:

- **Solvency capital.** U.S. life insurers commonly operate near 400% company-action-level RBC, a level regulators, rating agencies, and counterparties generally expect. Cayman-regulated reinsurers frequently operate closer to a 250% RBC-equivalent – a level that would draw supervisory attention in the United States – and capital requirements are frequently set through bespoke internal models rather than a standardized, regulator-prescribed formula. We estimate that the resulting total-available-asset shortfall exceeds $4 billion in the Cayman Islands alone, before reserving differences. Moreover, as flagged in the October 26, 2026 memorandum from the Financial Condition (E) Committee Chair, Commissioner Nathan Houdek, to the Life Risk-Based Capital (LRBC) (E) Working Group, the assets being held by the vast majority of life insurers ceding to non-reciprocal jurisdictions, like Cayman, are comparatively riskier.
- **Reserving.** Cayman permits reserves computed on a U.S. GAAP basis,[3] which can support a higher discount rate and less conservative assumptions (for example, no provision for adverse mortality deviation) than the statutory basis U.S. insurers must use. That widens the gap above and beyond capital, and nothing in the current framework prevents base reserving standards from being lowered further to attract business.
- **Governance and internal models.** Cayman affords reinsurers substantial discretion to set their own capital through non-public, bespoke models, which reduces comparability and raises the risk that requirements understate exposure to adverse outcomes. Governance and risk-management expectations are correspondingly less developed. In contrast, the United States does not permit insurers to set required capital through such internal capital models; internationally recognized jurisdictions like the EU that do permit them subject them to extensive, lengthy supervisory review.

[3] Society of Actuaries Research Institute, *International Reinsurance Landscape Overview for U.S. Life & Annuities* (February 2026), p. 87, §4.4.2 .

- **Transparency.** Cayman does not statutorily require comprehensive public financial disclosure by reinsurers. Public disclosure is a bedrock of the U.S. and Bermuda regimes; its absence constrains the ability of U.S. cedents, guaranty associations, and regulators to assess and monitor risk. As Moody's has observed, even where a Cayman reinsurer is well run and well capitalized, that condition is "challenging for outside parties to determine."[4]

These are not abstractions. The performance history that Section E of the Methodology requires the Working Group to develop includes recent Cayman-connected distress and failure - among them the 2024 rehabilitation of PHL Variable, which had ceded risk to Cayman entities; the 2020 controllership of Premier Assurance Group; and the 2018 official liquidation of Beechwood Re. We do not cite these to indict the jurisdiction; we cite them because the Methodology directs that such a record be examined, and because it illustrates precisely the risks that weaker capital, opaque disclosure, and constrained oversight can allow to develop unseen.

The NAIC's own findings corroborate these concerns

The Working Group need not take Athene's word for any of this. On October 26, 2026, the E Committee Chair, Commissioner Nathan Houdek, confirmed in a memorandum to the LRBC Working Group that the Committee had directed immediate action on reinsurance recapture risk arising from cessions to non-reciprocal jurisdictions. The Cayman Islands is a non-reciprocal jurisdiction. The findings underlying that directive – developed from the Valuation Analysis (E) Working Group's review of confidential AG 55 filings, which we have not seen – bear directly on this application.

Those findings are striking.

- Approximately 70% of life insurers ceding to non-reciprocal jurisdictions were found to hold comparatively riskier assets supporting unusually generous annuity guarantees, raising significant concerns about their ability to pay claims under reasonable economic scenarios.
- The reserves and capital supporting those liabilities may fall below both the newly adopted VM-22 standards and U.S. RBC.
- The Committee further identified reliance on optimistic asset-return assumptions to meet capital-adequacy requirements, more aggressive asset strategies than in comparable transactions not involving non-reciprocal jurisdictions, and a

[4] Moody's Ratings, *Life Insurance—US and Bermuda: Offshore reinsurance goes mainstream, raising counterparty risk* (4 February 2025), p. 7.

concentration of newer or rapidly growing entrants competing on above-market credited rates.

- Most pointedly for present purposes, the Committee memorandum criticized capital and reserving practices in non-reciprocal jurisdictions that "combine concepts from incompatible accounting, reserving and capital frameworks," producing a framework that "lacks coherence; " a fair description of a regime that pairs GAAP-based reserves with bespoke, model-driven capital.

The Committee's response was not a call for further study. It directed the LRBC Working Group to build a capital charge approximating what a ceding company would need if it had to recapture the reserves ceded to a non-reciprocal jurisdiction, and to apply that charge without regard to the probability of recapture.

The NAIC is thus moving, with evident urgency, to require more capital against these cessions precisely because it has concluded they are under-reserved and under-capitalized. Granting Qualified Jurisdiction status to the largest such jurisdiction would move in the opposite direction, permitting cedents to hold less collateral against the very exposures another NAIC committee is now capitalizing against. We do not believe those two positions are easily reconciled, and we do not think the reconciliation should be resolved in favor of recognition while the deficiencies the E Committee identified remain unaddressed.

What we ask the Working Group to do

Consistent with the Methodology and with the states' role as gatekeepers against a race to the bottom, we respectfully urge the Working Group to:

- **Treat the enumerated gaps as conditions precedent.** Recognition should follow remediation, not precede it. The areas identified in the appendix should be addressed to the Working Group's satisfaction before the Cayman Islands is added to the Qualified Jurisdiction list, rather than deferred to post-listing monitoring or future re-evaluation.
- **Apply the full rigor of the evaluation, including a discretionary on-site review.** Given the volume of U.S. liabilities already ceded to the jurisdiction and the reliance the framework places on firm-specific internal models, a documentary review alone is unlikely to be sufficient to assess effectiveness in practice.
- **Give particular weight to asset-intensive life and annuity business.** The concerns above are most acute for long-dated, asset-intensive liabilities, where differences in solvency capital and reserving compound over time. To the extent the record does not

yet support recognition for that business, the Working Group should not allow its inclusion to ride on the comparatively lower-risk case for other lines.

- **Insist on verifiable transparency and information sharing.** A robust memorandum of understanding and confidential supervisory information sharing can mitigate, but do not fully cure, the absence of public disclosure. The Working Group should confirm that state regulators and the NAIC will have durable, practical access to the information needed to assess Cayman-domiciled reinsurers on an ongoing basis, and should coordinate with the Federal Insurance Office as contemplated by the process.
- **Reconcile this determination with the NAIC's own reinsurance recapture risk findings.** The Working Group should coordinate with the E Committee and the LRBC Working Group so that the states do not grant collateral reduction to a jurisdiction that a sister committee has, at the same time, identified as warranting a reinsurance recapture risk capital charge. A determination made in isolation from that work risks internal contradiction within the NAIC's own framework.
- **Commit to a fair but deliberate path for every applicant.** One consequence of the proposed recapture risk charge, intended or not, is that it will likely lead non-reciprocal jurisdictions to seek recognition. That is a welcome result, particularly if it leads those jurisdictions to strengthen their supervisory systems and bring capital and reserving closer to U.S. RBC and statutory accounting. But the incentive holds only if the path to recognition is real and ultimately attainable in the jurisdiction makes needed reforms. The NAIC and its members should commit the time, staff resources, and sustained attention needed to evaluate each application thoroughly and on a predictable timeline. Each applicant should get a clear statement of what is required, and recognition should follow once that work is done. A path that is deliberate but open will raise standards abroad; one that stalls will invite pressure to lower the bar.

The Cayman Islands' pursuit of recognition, and the reforms it may undertake to achieve it, are welcome. The right outcome of this process is a Cayman framework that has closed the gaps and earned its place on the list, not a listing that leaves the gaps in place and asks U.S. policyholders, guaranty associations, and conservatively managed insurers to carry the risk.

We would welcome the opportunity to discuss these comments with the Working Group and to provide any further detail that would assist its evaluation.

Respectfully submitted,



Michael Consedine
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Attachment: *Appendix — Areas Requiring Resolution, Mapped to the NAIC Evaluation Methodology*

APPENDIX

Areas Requiring Resolution Before Listing — Mapped to the NAIC Evaluation Methodology

This appendix organizes Athene's observations against the seven evaluation sections of the Process for Evaluating Qualified and Reciprocal Jurisdictions, and cross-references each to the substantive areas of concern — capital, reserving, governance and internal models, and transparency. For each section we state the Methodology's benchmark and the gap that, on the current record, should be addressed before recognition. The evaluation is outcomes-based; the points below go to whether the Cayman framework, in practice, achieves outcomes consistent with U.S. solvency regulation.

Section A — Laws and Regulations

Methodology benchmark. The Working Group evaluates whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers effectively. This includes a review of the basic building blocks for sound regulation, including (i) the jurisdiction's regulatory framework, (ii) the structure and authority of the jurisdiction's reinsurance supervisory authority with regard to solvency regulation requirements and financial surveillance, (iii) the substance of financial and operating standards for domestic reinsurers, and (iv) the form, substance, and public availability of required financial reports and the accounting principles used. (Model #786 §8C(2).)

Gap to be addressed. Three substantive standards fall short of U.S. outcomes.

- First, capital: Cayman reinsurers frequently operate near a 250% RBC-equivalent against a ~400% U.S. norm, with requirements often set by bespoke internal models rather than a standardized, prescribed formula; we estimate a total-available-asset shortfall exceeding $4 billion in Cayman alone, before reserving. Lower capital requirements and the use of bespoke capital models may lead to insurers adopting more aggressive asset strategies and taking on additional risk that are typically not present in Reciprocal Jurisdictions. As identified in the E Committee's Oct 26 memorandum to the LRBC Working Group, such aggressive strategies may fall below the VM-22 annuity reserve standards and U.S. RBC standards.[5]
- Second, reserving: Cayman permits reserves on a U.S. GAAP basis (supporting a higher discount rate and less conservative assumptions, including no provision for adverse mortality deviation) rather than a statutory-equivalent conservative basis, and nothing prevents base reserving from being lowered further to attract business.

[5] Commissioner Nathan Houdek (WI), *Memorandum: Reinsurance Recapture Risk for Non-Reciprocal Jurisdictions, to Ben Slutsker (MN), Chair of the Life Risk-Based Capital (E) Working Group*, October 26, 2026 (https://content.naic.org/sites/default/files/inline-files/additonal-information-to-the-life-rbc-wg.pdf).

- Third, financial reporting: Cayman does not statutorily require comprehensive public financial disclosure, so the form and substance of publicly available reports fall well short of U.S. and Bermuda practice.

These capital and reserving concerns are not Athene's alone: in October 2026, the E Committee, drawing on the Valuation Analysis Working Group's review of AG 55 filings, reported that reserves and capital may fall below VM-22 and RBC for roughly 70% of cedents to non-reciprocal jurisdictions, and specifically criticized the combination of incompatible accounting, reserving, and capital frameworks as lacking coherence.

Cross-reference: *Capital; Reserving; Transparency. Corroborated by the Financial Condition (E) Committee's October 2026 memorandum discussing the AG 55 findings.*

Section B — Regulatory Practices and Procedures

Methodology benchmark. The Working Group evaluates whether the jurisdiction effectively employs baseline supervisory practices and procedures — including governance and risk-management expectations, examination, and the supervisory resources and capabilities to supplement and support enforcement of its solvency laws and regulations in practice.

Gap to be addressed. The supervisory practice that surrounds Cayman's model-based capital regime should be the focus of qualified jurisdiction assessment. Permitting firms wide discretion to determine their own capital through bespoke internal models places heavy weight on firm-level assumptions and judgment; that approach is defensible only with the kind of intensive, well-resourced supervisory review and challenge applied in internationally recognized jurisdictions. Additionally, CIMA's Insurance Supervision Division has only about 26 staff members covering regulatory matters for 743 insurance companies (including domestic, international, captive, and reinsurance entities) and 84 other licensees.[6] The assessment process should explore and the record should demonstrate that Cayman's governance and risk-management standards, examination cadence, and supervisory resources have kept pace with a book that grew from roughly $23 billion to $138 billion in assets in six years.[7] Group supervision and group capital capabilities warrant particular attention, both here and as a gateway to any future Reciprocal Jurisdiction status.

Cross-reference: *Governance and internal models; Capital.*

[6] Cayman Islands Monetary Authority, *Annual Report 2025* (2026), pp. 19, 42 (https://parliament.ky/wp-content/uploads/2026/06/CIMA-2025-Annual-Report.pdf).
[7] Cayman Islands Monetary Authority, *Insurance Statistics* (2026) (https://www.cima.ky/insurance-statistics).

Section C — Requirements Applicable to U.S.-Domiciled Reinsurers

Methodology benchmark. The jurisdiction must describe the rights, benefits, and extent of reciprocal recognition it affords to reinsurers licensed and domiciled in the United States.

Gap to be addressed. The Working Group should confirm that recognition is genuinely reciprocal in practice — that U.S.-domiciled reinsurers receive treatment in the Cayman Islands commensurate with the collateral and market-access benefits Cayman reinsurers would obtain in the United States — and that any such recognition is durable rather than discretionary.

Section D — Regulatory Cooperation and Information-Sharing

Methodology benchmark. The jurisdiction's supervisory authority must be able to cooperate and share information with U.S. state regulators and to enter into a memorandum of understanding; reliance on the IAIS MMoU or an MOU entered into by a Lead State is contemplated.

Gap to be addressed. Given the absence of comprehensive public disclosure under Section A, information-sharing should be treated as an essential element of transparency. A robust, durable MOU and confidential supervisory information-sharing can mitigate the disclosure gap, but they do not cure it, because they do not give U.S. cedents, guaranty associations, and counterparties the visibility that public reporting provides. The Working Group should confirm practical, ongoing access to the information needed to assess Cayman-domiciled reinsurers, and coordinate with the Federal Insurance Office and other federal authorities as the process contemplates.

Cross-reference to our comments above: *Transparency*.

Section E — History of Performance of Domestic Reinsurers

Methodology benchmark. The jurisdiction is requested to provide a description of the historical performance of its domestic reinsurers. The description should include, at a minimum, up to a ten-year history of (i) regulatory actions taken against specific reinsurers, (ii) insolvency proceedings (with size and outcome of each proceeding), and (iii) industry-wide fluctuations in capital or profitability. Together with the description, the jurisdiction must provide the number of domestic reinsurers and a list of domestic reinsurers maintaining at least $250 million in minimum capital and surplus or its equivalent.

Gap to be addressed. This record should be developed fully and weighed candidly, because it is directly probative of effectiveness in practice. It includes the 2020 controllership of Premier Assurance Group SPC (following solvency and governance failures identified by CIMA) and the 2018 Grand Court liquidation of Beechwood Re (arising

from the Platinum Partners fraud), as well as Cayman-connected distress affecting U.S. cedents — notably the 2024 rehabilitation of Connecticut-based PHL Variable Insurance, which had ceded risk to Cayman-domiciled entities, and the Senior Health Insurance Company of Pennsylvania 2020 rehabilitation, where the Pennsylvania Commonwealth Court cited investment transactions with Cayman reinsurance entities including Beechwood Re. These matters are recited not to impugn the jurisdiction but because the Methodology requires their examination, and because they are concrete instances of the risks that thin capital, opaque disclosure, and constrained oversight can allow to develop unseen.

Cross-reference to our comments above: *Capital; Governance; Transparency*.

Section F — Enforcement of Final U.S. Judgments

Methodology benchmark. The Working Group assesses the effectiveness of the jurisdiction's ability to enforce final U.S. judgments in the jurisdiction. The jurisdiction should provide a current description or explanation of any restrictions with respect to the enforcement of final foreign judgments in the jurisdiction.

Gap to be addressed. The Working Group should confirm that U.S. cedents and policyholders can, in practice and not merely in principle, enforce final U.S. judgments against Cayman-domiciled reinsurers, and identify any procedural or substantive restrictions that would impair recovery in a stress scenario.

Section G — Solvent Schemes of Arrangement

Methodology benchmark. The jurisdiction should provide a description of any legal framework that allows domestic reinsurers to propose or participate in any solvent scheme of arrangement or similar procedure. The jurisdiction must provide a description of any such procedure that a domestic reinsurer has proposed or participated in, including the procedure's outcome. The Working Group considers the jurisdiction's use of solvent schemes of arrangement and their effect on U.S. ceding insurers and policyholders.

Gap to be addressed. The Working Group should confirm that any scheme mechanism available under Cayman law cannot be used to compromise U.S. cedents' or policyholders' contractual rights without appropriate protections, so that a solvent scheme does not become a route around the safeguards the collateral regime is meant to provide.

The figures and characterizations in this appendix reflect publicly available information and Athene's analysis; capital-gap estimates are approximate and are offered to frame the issue rather than to quantify it precisely. Athene would welcome the opportunity to provide supporting detail to the Working Group.