

PROJECT HISTORY - 2016

TERM AND UNIVERSAL LIFE INSURANCE RESERVE FINANCING MODEL REGULATION (#787)

This memorandum will discuss the background and history of the proposed *Term and Universal Life Insurance Reserve Financing Model Regulation* (#___) (XXX/AXXX Model Regulation). To provide a more complete picture with respect to the background behind this model regulation, this memorandum will provide an overview of the captive reinsurance financing issues that prompted a regulatory response, the framework adopted by the NAIC to respond to those issues, the development and adoption of *Actuarial Guideline XLVIII— Actuarial Opinion and Memorandum Requirements for the Reinsurance of Policies Required to be Valued under Sections 6 and 7 of the NAIC Valuation of Life Insurance Policies Model Regulation* (AG 48) to implement the framework, and the revisions to the *Credit for Reinsurance Model Law* (#785) adopted by the NAIC on Jan. 8, 2016, which were designed to provide commissioners with the specific authority to adopt the new model regulation developed to codify AG 48.

1. Description of the Project, Issues Addressed, etc.

The Principle-Based Reserving Implementation (EX) Task Force serves as the coordinating body for all NAIC technical groups involved with projects related to the principle-based reserving (PBR) initiative for life and health policies. This Task Force was also charged with further assessing and making recommendations regarding the solvency implications of life insurance reserve financing mechanisms addressed in the June 2013 *Captives and Special Purpose Vehicles: An NAIC White Paper*, which was drafted by the Captives and Special Purpose Vehicle (SPV) Use (E) Subgroup of the Financial Condition (E) Committee.

On its June 30, 2014, conference call, the Principle-Based Reserving Implementation (EX) Task Force adopted the recommendations in the report of Rector & Associates, Inc. (Consultants) dated June 4, 2014, regarding a proposal for the XXX/AXXX Reinsurance Framework (Framework). The Framework sought to address concerns regarding reserve financing transactions and to do so without encouraging them to move offshore. The changes would be prospective and apply only to the XXX term life insurance business and AXXX universal life with secondary guarantees (ULSG) business; i.e., the Framework applies only to reinsurance involving XXX and AXXX policies currently required to be valued under Section 6 or Section 7 of the *Valuation of Life Insurance Policies Model Regulation* (#830). The Framework would not change the statutory reserve requirements applicable to a ceding insurer; rather, it addresses the types of security that can back those reserves in connection with reserve financing transactions.

The Framework does not materially change the ability of insurers to obtain credit for reinsurance ceded to “certified” reinsurers or to obtain credit for reinsurance ceded to “licensed” or “accredited” reinsurers that follow statutory accounting and risk-based capital (RBC) rules. As a practical matter, the Framework requirements apply to reinsurance ceded to captive insurers, SPVs, reinsurers that are not eligible to become “certified” reinsurers, or reinsurers that materially deviate from statutory accounting and/or RBC rules. In those situations, the ceding insurer may receive credit for reinsurance if:

- The ceding insurer establishes gross reserves, in full, using applicable reserving guidance (currently, the “formulaic” approach under the *Standard Valuation Law* (#820), then later PBR reserves);
- Funds consisting of Primary Security, in an amount at least equal to the Required Level of Primary Security, are held by or on behalf of the ceding insurer, as security under the reinsurance contract, on a funds withheld, trust, or modified coinsurance basis;

- Funds consisting of Other Security, in an amount at least equal to any portion of the statutory reserves as to which Primary Security is not held are held by or on behalf of the ceding insurer as security under the reinsurance contract;
- At least one party to the financing transaction holds an appropriate RBC “cushion”; and
- The reinsurance arrangement is approved by the ceding insurer’s domestic regulator.

The Executive (EX) Committee adopted the Framework (in concept) on Aug. 17, 2014. As an interim step to implementing the Framework, the NAIC adopted AG 48 on Dec. 16, 2014. The expectation is that AG 48 would eventually be replaced by effective codification through revisions to Model #785 and creation of a new model regulation to establish requirements regarding the reinsurance of XXX/AXXX policies. The Reinsurance (E) Task Force and the Financial Condition (E) Committee adopted the revisions to Model #785 on a joint conference call on Jan. 6, 2016; these revisions were later adopted by the Executive (EX) Committee and Plenary on Jan. 8, 2016.

The Reinsurance (E) Task Force adopted the XXX/AXXX Model Regulation at the Summer National Meeting on Aug. 27, 2016, and it was adopted by the Financial Condition (E) Committee via conference call on Sept. 30, 2016. Both the revisions to Model #785 and the proposed XXX/AXXX Model Regulation (once adopted by the Executive (EX) Committee and Plenary) are intended to be adopted by the NAIC as a new accreditation standard.

2. Name of Group Responsible for Drafting the Model and States Participating

Reinsurance (E) Task Force: California (Chair), Nebraska (Vice Chair) Alabama, Alaska, Arkansas, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Puerto Rico, Rhode Island, Tennessee, Texas, Utah, Vermont, Virginia, Washington and Wisconsin.

3. Project Authorized by What Charge and Date First Given to the Group

On June 30, 2014, the Principle-Based Reserving Implementation (EX) Task Force adopted the XXX/AXXX Reinsurance Framework in concept, and adopted draft charges to the Reinsurance (E) Task Force with respect to implementation of the Framework. On Aug. 17, 2014, the Executive (EX) Committee adopted the following charges to the Reinsurance (E) Task Force and a request for model law development with respect to these charges:

- Request permission from the Executive (EX) Committee to create a new model regulation to establish requirements regarding the reinsurance of XXX/AXXX policies. The Principle-Based Reserving Implementation (EX) Task Force’s XXX/AXXX Reinsurance Framework Exhibit 4 should be considered for this model regulation, modified as deemed appropriate by the Task Force.—*Essential*
- Request permission from the Executive (EX) Committee to amend the *Credit for Reinsurance Model Law* (#785) and draft the amendments to reference the new model regulation drafted in accordance with the previous charge.—*Essential*

On Nov. 20, 2015, April 4, 2016, and Aug. 27, 2016, the Reinsurance (E) Task Force requested extensions from the Financial Condition (E) Committee in order to continue working on the proposed XXX/AXXX Model Regulation.

4. A General Description of the Drafting Process (e.g., drafted by a subgroup, interested parties, the full group, etc.); Include any parties outside the members that participated

On Oct. 29, 2014, the Reinsurance (E) Task Force appointed the XXX/AXXX Captive Reinsurance Regulation Drafting Group (Drafting Group), an informal drafting group composed of members of the Task Force, which was tasked with developing an initial draft of the XXX/AXXX Model Regulation incorporating the provisions of proposed AG 48. The members of the Drafting Group were: Doug Stolte (VA), Chair; John Finston and Monica Macaluso (CA); Kathy Belfi (CT); Linda Sizemore, Dave Lonchar and Steve Kinion (DE); Robert Wake (ME); John Rehagen (MO); Justin C. Schrader (NE); Richard Schlesinger (NJ); Mike Maffei (NY); and David Provost (VT). The Task Force directed the Drafting Group to refrain from beginning any drafting on the model regulation until the Principle-Based Reserving Implementation (EX) Task Force had finished its work on AG 48. Once this Task Force completed its work on AG 48, the Drafting Group could determine whether any changes to the AG 48 approach should be made in the model regulation. If the Drafting Group was of the opinion that any substantive modifications should be made to the AG 48 approach as it finalized the model regulation, it was to have submitted those proposed changes to the Principle-Based Reserving Implementation (EX) Task Force for further guidance. The overall objective was to implement the AG 48 approach, unless there were significant issues with respect to this implementation.

The Drafting Group met via conference call in regulator-to-regulator session on the following dates: Oct. 14, 2014; March 10, 2015; March 23, 2015; April 21, 2015; May 11, 2015; June 23, 2015; June 24, 2015; July 14, 2015; Oct. 23, 2015; and June 1, 2016. The Drafting Group, with assistance from Consultants and NAIC staff, reviewed, discussed and drafted a proposed XXX/AXXX Model Regulation and proposed revisions to Model #785, which were presented to the Reinsurance (E) Task Force at the 2015 Summer National Meeting. The Drafting Group continued to work on the XXX/AXXX Model Regulation at the direction of the Task Force. Principal interested parties involved in the drafting process were: the American Council of Life Insurers (ACLI); the Reinsurance Association of America (RAA); New York Life and Northwestern Mutual; and members of the captive insurance industry.

5. A General Description of the Due Process (e.g., exposure periods, public hearings, or any other means by which widespread input from industry, consumers and legislators was solicited)

Revisions to Model # 785

As previously noted, AG 48 is the basis for the new regulation, and provides the detail for what was included in the new regulation. AG 48 went through a separate public drafting process, with multiple exposure periods, public hearings and opportunities for the NAIC to receive public comment from the industry, consumers, legislators and regulators. A general description of this due process is found in the Project History for AG 48. The revisions to Model #785 will provide commissioners with the authority to adopt the new regulation that is based on AG 48. A more detailed description of the due process involved in drafting the revisions to Model #785 can be found in the Project History for the XXX/AXXX Framework.

On Aug. 16, 2015, at the Summer National Meeting, the Reinsurance (E) Task Force exposed a draft of the XXX/AXXX Model Regulation—along with revisions to Model #785 and a July 28, 2015, memorandum from NAIC staff listing key discussion topics that were identified during the drafting process—for a 45-day public comment period ending Sept. 30, 2015. The Task Force received 17 comment letters and a note from NAIC staff on the applicability of the regulation on policies issued prior to adoption of Model #830. The Task Force met again via conference call on Oct. 26, 2015, to discuss the comment letters received, and agreed to expose new proposed revisions to Model #785 for a comment period ending Nov. 11, 2015. The Task Force received seven comment letters from regulators and interested parties.

On Nov. 20, 2015, at the Fall National Meeting, the Reinsurance (E) Task Force voted to expose proposed revisions to Model #785 for a public comment period ending Dec. 6, 2015. The Task Force received seven comment letters, and discussed these, along with the proposed revisions to Model #785, on its Dec. 9, 2015, conference call. The Task Force directed NAIC staff to re-expose the revisions to Model #785 for a public comment period ending Dec. 31, 2015. Two updated versions containing these changes were exposed for public comment on Dec. 15, 2015: 1) a version containing revisions to Section 2 and Section 3 of Model #785; and 2) a version containing these similar revisions in Section 2, Section 3 and Section 5 (Rules and Regulations) of Model #785. The Task Force adopted the exposed revisions to Section 2, Section 3 and Section 5 of Model #785 on a joint conference call with the Financial Condition (E) Committee on Jan. 6, 2016.

On Jan. 8, 2016, the Executive (EX) and Plenary adopted these revisions to Model #785, which provide the commissioner authority to adopt regulations with respect to: 1) life insurance policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits; 2) universal life insurance policies with provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guarantee period; 3) variable annuities with guaranteed death or living benefits; 4) long-term care insurance policies; and 5) other life and health insurance and annuity products as to which the NAIC adopts model regulatory requirements with respect to credit for reinsurance. They also provide for a “professional reinsurer” exemption to the regulation.

XXX/AXXX Model Regulation

The Reinsurance (E) Task Force next directed NAIC staff and Consultants to consider the comments received from the 2015 Summer National Meeting with respect to the Aug. 16, 2015, exposure of the proposed XXX/AXXX Model Regulation, as well as the discussion and actions taken by the Task Force since that time, and proceed with making changes to a revised draft of the XXX/AXXX Model Regulation. On its Oct. 26, 2015, conference call, the Task Force, through a majority vote, elected to proceed in drafting the XXX/AXXX Model Regulation using the consequence option which provides that if there is a shortfall in the required level of Primary or Other Security after the remediation period provided in the regulation, then no credit for reinsurance is allowed. Also discussed was an additional exemption for smaller reinsurers that meet a minimum RBC ratio. On Feb. 26, 2016, NAIC staff exposed the revised draft of the XXX/AXXX Model Regulation and the accompanying NAIC staff memorandum, which details the revisions made from the prior exposure draft, for a 30-day public comment period ending March 27, 2016. The Task Force received six comment letters and discussed these on April 4, 2016, at the Spring National Meeting, including the following issues: 1) affiliated reinsurance transactions; 2) a small professional reinsurer exemption; 3) remediation of a shortfall under the consequence option, including additional time to remediate; and 4) changes to the Actuarial Method used under AG 48 recommended by the Life Actuarial (A) Task Force. The Reinsurance (E) Task Force directed NAIC staff and Consultants to work with the Drafting Group on drafting a revised XXX/AXXX Model Regulation that considers the comments received and discussion held during the meeting.

On June 17, 2016, the Drafting Group completed its work on a revised XXX/AXXX Model Regulation, and the Reinsurance (E) Task Force exposed it for a public comment period ending July 20. The key considerations and topics discussed and actions taken by the Drafting Group in development of the revised XXX/AXXX Model Regulation included: 1) modification to the consequence option to allow the reporting entity to take reinsurance credit for the amount of Primary Security held if any shortfall in Primary Security or Other Security is not remediated by the March 1 annual statement filing date; 2) an additional exemption for reinsurers that have material permitted practices, but that have more than 500% RBC after the permitted practices are removed; 3) removal of the Section 2 drafting note and creation of a new Section 9; 4) maintaining the current list of assets allowed as Primary Security, thereby not incorporating real estate as an allowable Primary Security asset; 5) discussion on whether the XXX/AXXX Model Regulation should contain references to “before the operative date of the *Valuation Manual*,” given the improbability that a state would adopt both the January 2016 revisions

to Model #785 and the XXX/AXXX Model Regulation prior to the operative date of the *Valuation Manual*, which the NAIC has recommended to be Jan. 1, 2017; and 6) recommended language by the Life Actuarial (A) Task Force AG 48 Drafting Group (LATF Drafting Group) for Section 4A and Section 6 of the XXX/AXXX Model Regulation. The Reinsurance (E) Task Force received six comment letters, in which a common theme focused on the commissioner's discretion under the XXX/AXXX Model Regulation to allow recapture as a form of remediation, allow for additional time to remediate any shortfall in Primary or Other Security and allow for a stronger consequence option for non-compliance.

On July 28, 2016, the Reinsurance (E) Task Force met via conference call to discuss the most recent draft of the XXX/AXXX Model Regulation. The Task Force agreed to remove recapture as an acceptable form of remediation in the XXX/AXXX Model Regulation, clarifying that if commissioner discretion is used, then this information would be captured as a prescribed or permitted practice under the provisions of statutory accounting prescribed in the *Accounting Practices and Procedures Manual* (AP&P Manual), and to develop a drafting note to capture the discussion on commissioner discretion and permitted practices. The Task Force further voted to remove the references to "before the operative date of the *Valuation Manual*" from the XXX/AXXX Model Regulation, and directed NAIC staff and Consultants to work with members of the Drafting Group and the LATF Drafting Group on reviewing the comments received and developing a single option for Section 4A and Section 6 of the XXX/AXXX Model Regulation.

On Aug. 4, 2016, the Reinsurance (E) Task Force exposed the revised XXX/AXXX Model Regulation and the Summary of Changes Memorandum for a public comment period ending Aug. 22, 2016. The Task Force received four comment letters on the proposed revisions. The following information on Section 4A and Section 6 of the XXX/AXXX Model Regulation was provided by the LATF Drafting Group:

There are two types of policies that are exempt from the scope of AG 48 that the LATF Drafting Group believes should not be exempt from the scope of the XXX/AXXX Model Regulation: 1) attained-age-based yearly renewable term (YRT) life insurance policies (subject to Section 6F of the *Valuation of Life Insurance Policies Model Regulation* (# 830); and 2) Certain n-year renewable term life insurance policies (subject to Section 6G of Model #830). Additionally, while YRT reinsurance is currently exempt from the scope of AG 48 (subject to Section 6E of Model #830), the LATF Drafting Group believes that it should not be exempt from the scope of the XXX/AXXX Model Regulation.

On Aug. 27, 2016, at the Summer National Meeting, the Reinsurance (E) Task Force unanimously adopted the XXX/AXXX Model Regulation as exposed, with the technical edits agreed upon by the Task Force and interested parties. As part of this motion, the Task Force agreed to send the adopted XXX/AXXX Model Regulation to the NAIC Legal Division for a review to include reference checks and grammatical correctness, and to ensure consistency with the NAIC model law style. On Sept. 23, 2016, the adopted XXX/AXXX Model Regulation and a project history document were referred for consideration to the Financial Condition (E) Committee, which subsequently distributed the items as materials for its Sept. 30, 2016, conference call.

On Sept. 30, 2016, the Financial Condition (E) Committee discussed the proposed XXX/AXXX Model Regulation as adopted by the Reinsurance (E) Task Force. A concern raised by a member of the Committee related to the drafting note for remediation using a disclosed permitted practice. After discussion of this concern, and recognition of existing tools that commissioners currently possess, the Committee unanimously adopted a motion to remove the drafting note and subsequently unanimously adopted the XXX/AXXX Model Regulation.

6. A Discussion of the Significant Issues (items of some controversy raised during the due process and the group's response)

The following significant issues were discussed extensively with regulators and interested parties during the process.

Consequence Options for Non-Compliance with the XXX/AXXX Model Regulation

AG 48 provides that the consequence for a shortfall of Primary Security in accordance with the XXX/AXXX Reinsurance Framework is a qualified actuarial opinion, unless the ceding insurer remediates the shortfall in the time frame and manner provided for in AG 48. In Section 6A(3) of AG 48, there are two ways to remediate this shortfall: 1) by adding additional Primary Security on or before March 1 of the year in which the actuarial opinion is being filed in an amount that would have caused the Primary Security held by or on behalf of the ceding insurer, as security under the reinsurance contract, on a funds withheld, Trust, or modified coinsurance basis, to equal or exceed the Required Level of Primary Security on the valuation date; or 2) by establishing a liability equal to the difference between the Primary Security and the Required Level of Primary Security. AG 48 also provides a similar remediation process for shortfalls in Other Security.

Consistent with the Framework, the XXX/AXXX Model Regulation provides that the consequence for a shortfall is the loss of credit for reinsurance, unless the ceding insurer remediates the shortfall in the time frame and manner provided for in the regulation. The process and time frame for remediation, as well as the extent of loss of credit (total or partial), were the subject of extensive discussion. The Drafting Group members proposed several potential credit for reinsurance "consequences" for ceding insurers that have a shortfall in either Primary Security or Other Security. These options include: 1) complete loss of credit unless the shortfall is remediated in full; 2) dollar-for-dollar reduction in credit for reinsurance for any shortfall; 3) percentage reduction in credit for reinsurance for any shortfall and 4) Primary Security limitation, which would allow credit for reinsurance up to the amount of Primary Security held.

At the 2015 Summer National Meeting, the Drafting Group advised the Reinsurance (E) Task Force that it decided to draft the XXX/AXXX Model Regulation under the first option (complete loss of credit unless the shortfall is remediated in full by the annual statement filing date), but the Task Force encouraged state insurance regulators and interested parties to review the four consequence options with respect to the XXX/AXXX Model Regulation and to provide any comments or suggested language. On its Oct. 26, 2015, conference call, the Task Force, through a majority vote, elected to proceed in drafting the XXX/AXXX Model Regulation using the first consequence option. At the Task Force meeting on April 4, 2016, there was discussion that state insurance regulators need flexibility to work with a company on the remediation process, specifically noting that 15 days (the period between the valuation date of Feb. 15 and the remediation date of March 1) may not be a sufficient amount of time for remediation. It was also noted that the consequence option under AG 48 was different than the consequence option agreed upon by the Task Force.

After consideration of these issues, on June 17, 2016, the Drafting Group recommended: 1) adoption of consequence option 4 above (the Primary Security limitation, under which, in the case of an unremediated shortfall of Primary Security or Other Security, credit is permitted only up to the amount of Primary Security held; 2) that the remediation process occur quarterly rather than annually; and 3) that the annual remediation process deadline remain March 1. This approach was adopted by the Reinsurance (E) Task Force at the 2016 Summer National Meeting.

On its July 28, 2016, conference call, the Reinsurance (E) Task Force opposed including recapture as an acceptable form of remediation in the XXX/AXXX Model Regulation, and provided that it should not be an

automatic option for remediation and should only occur if the reinsurance treaty allows for the ceded reinsurance to be recaptured.

Drafting Note to Remediation on Commissioner Discretion

On its July 28, 2016, conference call, the Reinsurance (E) Task Force discussed whether the commissioner should have the discretion to lengthen the remediation period beyond the current March 1 and/or provide a different form of remediation in the event of non-compliance with the XXX/AXXX Model Regulation. With respect to the XXX/AXXX Model Regulation's consequence option and remediation provisions, a common theme expressed in the comment letters was commissioner discretion under the XXX/AXXX Model Regulation to allow for additional time to remediate any shortfall in Primary or Other Security and to allow for a different form of remediation for non-compliance. One reason for developing the XXX/AXXX Model Regulation was the inconsistencies experienced as a result of commissioner discretion. The Task Force directed NAIC staff and Consultants to prepare a drafting note to the remediation section clarifying that commissioner discretion is limited to the authority existing under applicable state law, should be exercised only in extraordinary circumstances, and would be captured as a prescribed or permitted practice under the provisions of statutory accounting prescribed in the AP&P Manual. The following drafting note was included in the final version of the regulation:

Drafting Note: Nothing in this Regulation should be construed to prohibit the commissioner, under limited and extraordinary circumstances and for good cause shown, from granting a disclosed permitted practice by extending the period of time to remediate or by permitting recapture of the ceded business as an alternative form of remediation to any company to the extent that the commissioner has such authority under applicable state law and provided the permitted practice complies with the procedures outlined in the NAIC Accounting Practices and Procedures Manual, and any extension of the time deadline complies with NAIC annual and quarterly statement filing requirements.

On a Sept. 30, 2016, conference call of the Financial Condition (E) Committee, a concern was raised by a member of the Committee related to the drafting note. The primary concern raised was that because the remediation requirement was not an accounting practice or principle, but rather a requirement of a regulation derived from state law, there was uncertainty regarding how a disclosed permitted practice would comply with the procedures outlined in the AP&P Manual, and, moreover, a commissioner should not be allowed to exceed his or her legislative authority. In considering this issue, the Committee agreed that under unusual circumstances, for example, if markets froze similar to the 2008 financial crisis, the commissioner could work with the company to remedy the shortfall, even if it is beyond the date the annual financial statement is filed. Also considered in this issue was that, similar to the 2008 financial crisis, it would be reasonable for systemic problems such as this unusual circumstance to be considered on a national coordinated basis. Considering these points, the Committee unanimously agreed to remove the drafting note.

Section 4A and Section 6

Throughout the drafting of the XXX/AXXX Model Regulation, there were several discussions and comments received on the scope of the regulation and on the provisions of Section 6—The Actuarial Method. Subsequent to the 2016 Spring National Meeting, the Drafting Group requested input from the LATF Drafting Group on the language within Section 4A and Section 6 of the XXX/AXXX Model Regulation. Various versions of Section 4A and Section 6 were exposed and discussed. The final versions of Section 4A and Section 6 are very similar to their counterparts in AG 48, with a few exceptions. For additional information, see the Aug. 27 and July 28 minutes of the Reinsurance (E) Task Force.

The Reinsurance (E) Task Force also directed NAIC staff to develop a referral to the Financial Analysis Handbook (E) Working Group, requesting it consider adding guidance advising analysts of the need for additional scrutiny during review of security for reinsurance of grandfathered policies.

Small Reinsurer Exemption

The 2016 revisions to Model #785 created a new exemption (sometimes referred to as the “professional reinsurer exemption”) that would apply to business ceded to a reinsurer that: 1) maintains at least \$250 million in capital and surplus determined in accordance with statutory accounting principles, without deviation; and 2) either a) is licensed in at least 26 states or b) is licensed or accredited in at least 35 states with a minimum of 10 licenses. The ACLI requested an additional exemption to be placed in the regulation that would exempt reinsurance ceded to reinsurers that, while not captives engaged in financing transactions, could not meet the size and licensing requirements of the so-called professional reinsurer exemption. After extensive discussion, the Drafting Group recommended, and the Reinsurance (E) Task Force approved, a new “small reinsurer exemption” available for business ceded to a reinsurer that: 1) is not an affiliate of the ceding company; 2) is not licensed as a captive or similar entity in any state; 3) is licensed or accredited in at least 10 states; and 4) has an RBC of at least 500% after ignoring the financial impact of any permitted accounting practices. Thus, the XXX/AXXX Model Regulation now has at least three exemption provisions that can be used in connection with reinsurance ceded to professional reinsurers: 1) Section 4C, which pertains to professional reinsurers (and others) that do not have material permitted practices; 2) Section 4D, which pertains to professional reinsurers (and others) that have material permitted practices, but that have more than 500% RBC after those permitted practices are removed; and 3) Section 4E, which pertains to professional reinsurers (and others) that meet the criteria in Model #785.

7. Any Other Important Information (e.g., amending an accreditation standard)

The revisions to Model #785 will be considered by the Financial Regulation Standards and Accreditation (F) Committee as an amendment to the existing standard for Reinsurance Ceded. In addition, it is intended under the XXX/AXXX Reinsurance Framework that these revisions, in addition to the proposed XXX/AXXX Model Regulation, would become a new accreditation standard.