Date: 11/18/21

2021 Fall National Meeting
San Diego, California

FINANCIAL CONDITION (E) COMMITTEE
Monday, December 13, 2021
4:15 – 5:00 p.m.
Convention Center—Ballroom 20 ABC—Upper Level

ROLL CALL

Scott A. White, Chair Virginia Russell Toal New Mexico
Michael Conway, Vice Chair Colorado Adrienne A. Harris New York
Dana Popish Severinghaus Illinois Judith L. French Ohio
Amy L. Beard Indiana Raymond G. Farmer South Carolina
Eric A. Cioppa Maine Cassie Brown Texas
Mike Chaney Mississippi Mark Afable Wisconsin
Chlora Lindley-Myers Missouri Jeff Rude Wyoming
Marlene Caride New Jersey

NAIC Support Staff: Dan Daveline/Julie Gann/Bruce Jenson

AGENDA

1. Consider Adoption of its Nov. 19 and Summer National Meeting Minutes
   Attachment One
   —Commissioner Scott A. White (VA)

2. Consider Adoption of its Task Force and Working Group Reports
   —Commissioner Scott A. White (VA)
   A. Accounting Practices and Procedures (E) Task Force Pending
   B. Capital Adequacy (E) Task Force Attachment Three
   C. Examination Oversight (E) Task Force Attachment Four
   D. Financial Stability (E) Task Force Attachment Five
   E. Receivership and Insolvency (E) Task Force Attachment Six
   F. Reinsurance (E) Task Force Pending
   G. Risk Retention Group (E) Task Force Attachment Eight
   H. Valuation of Securities (E) Task Force Pending
   I. Group Capital Calculation (E) Working Group Attachment Ten
   J. Group Solvency Issues (E) Working Group Attachment Eleven
   K. Mutual Recognition of Jurisdictions (E) Working Group Attachment Twelve
   L. NAIC/American Institute of Certified Public Accountants (AICPA) (E)
      Working Group Attachment Thirteen
   M. National Treatment and Coordination (E) Working Group Attachment Fourteen
   N. Restructuring Mechanisms (E) Working Group Attachment Fifteen
   O. Risk-Focused Surveillance (E) Working Group Attachment Sixteen

3. Consider Adoption of the Process for Evaluating Jurisdictions that
   Recognize and Accept the Group Capital Calculation—Robert Wake (ME)
   Attachment Seventeen
4. Consider Adoption of the ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers—Chlora Lindley-Myers (MO) and John Rehagen (MO)

5. Adjournment

Dec 13 E Committee Agenda.docx
The Financial Condition (E) Committee met Nov. 19, 2021. The following Committee members participated: Scott A. White, Chair (VA); Michael Conway, Vice Chair, (CO); Dana Popish Severinghaus represented by Kevin Fry (IL); Amy L. Beard represented by Roy Eft (IN); Eric A. Cioppa (ME); Chlora Lindley-Myers and John Rehagen (MO); Mike Chaney represented by David Browning (MS); Marlene Caride (NJ); Russell Toal represented by Leatrice Geckler (NM); Adrienne A. Harris represented by My Chi To (NY); Judith L. French and Tom Botsko (OH); Raymond G. Farmer (SC); Cassie Brown represented by Doug Slape (TX); Mark Afable (WI); and Jeff Rude represented by Linda Johnson (WY).

1. **Adopted a Response to the Financial Regulation and Accreditation Standards and Accreditation (F) Committee**

Commissioner White described how the Committee had received a referral from the Financial Standards and Accreditation (F) Committee subsequent to the Spring National Meeting. He said the Financial Standards and Accreditation (F) Committee was reviewing the preamble to its manual and updating it for changes as a result of changes to a new NAIC model regulation on reinsurance. He said a question was raised whether some of the other aspects of the preamble needed to be updated. Commissioner White described how there had been a placeholder in that preamble for years for variable annuities and long-term care (LTC), pending potential changes to the standards for those lines of business. He stated that the referral specifically asked for an update on the actual usage of such captives, which he indicated he sent directly to the Financial Analysis (E) Working Group since obtaining that type of information would involve gathering specific company information from domestic states. He said the Committee received a response from that Working Group and met Oct. 14 in regulator-to-regulator session as questions regarding specific companies were expected to be raised. He stated the Committee prepared a response back to the Financial Standards and Accreditation (F) Committee, included in the materials, which captured what he and his staff think is appropriate.

Commissioner Conway made a motion, seconded by Superintendent Cioppa, to adopt the proposed response (Attachment One-A). The motion passed unanimously.

2. **Received a Response to the FSAP Recommendation**

Commissioner White stated the second agenda item was a follow-up to the report issued by the International Monetary Fund (IMF) related to the Financial Sector Assessment Program (FSAP) report from 2020. He stated that one of the recommendations dealt with actuarial resources. He stated that Mike Boerner (TX), chair of the Valuation Analysis (E) Working Group, sent a letter to the Committee (Attachment One-B) describing the actuarial support that group currently receives from the NAIC. Commissioner White noted that it was his understanding that the NAIC has added seven actuaries to its staff to help with principle-based reserving (PBR). Commissioner White described how he believes the letter seems to indicate appreciation for the resources provided thus far, but it also implies that if more resources are needed, the Valuation Analysis (E) Working Group will let those within the NAIC leadership know that such additional resources are also needed. He noted no action was needed on the letter other than just suggesting the Committee members stay attuned to the ongoing implementation of PBR.

3. **Discussed a Memorandum From the Capital Adequacy (E) Task Force**

Commissioner White said that an issue was brought up during the Committee’s Oct. 14 regulator-to-regulator meeting. He stated during that meeting, a request was made for the Committee to provide assurances that the Statutory Accounting Principles (E) Working Group, Valuation of Securities (E) Task Force, and Capital Adequacy (E) Task Force are coordinating their work on the current work with Statement of Statutory Accounting Principles (SSAP) No. 43—Loan-Backed and Structured Securities. Mr. Botsko, summarized his request (Attachment One-C) to the Committee. The request includes a new working group to evaluate proposed changes to the risk-based capital (RBC) formula. He discussed some of the primary reasons for the new group including describing how RBC was a minimum standard and that the NAIC needs to find a balance between the detail of reporting and the appropriateness of a risk charge. He described how the group would be a formal group, which he stated he believes was important to provide transparency and documentation for important considerations. He noted the working group would also evaluate other investment charges for the appropriateness and accuracy given some of the factors had not been updated since their development in the early 1990s. He also described an informal affiliated RBC drafting group and how he
believes a number of changes could be made related to that work to improve some consistency in these areas of RBC. He noted he sees the group as having a more holistic view, and it will be important for the group to stay current with new investment products, as well as international approaches.

Commissioner White asked Mr. Botsko if the coordination with the Statutory Accounting Principles (E) Working Group would continue. Ms. To stated her support for the work and the charge.

Director French made a motion, seconded by Commissioner Afable, to incorporate the proposed charge included in the letter into the Committee’s 2022 proposed charges. The motion passed unanimously.

4. **Adopt its 2022 Proposed Charges**

Commissioner White noted that the Committee had previously exposed its 2022 proposed changes (Attachment One-D) for a 30-day public comment period and received no comments.

Commissioner Conway made a motion, seconded by Ms. Geckler, to adopt its 2022 proposed charges, including the charge included in the previous agenda item. The motion passed unanimously.

Having no further business, the Financial Condition (E) Committee adjourned.

[Attachment 1a-Nov 19 E min.docx](Attachment 1a-Nov 19 E min.docx)
Draft: 8/14/21

Financial Condition (E) Committee
Columbus, Ohio
August 14, 2021

The Financial Condition (E) Committee met August 14, 2021. The following Committee members participated: Scott A. White, Chair (VA); Michael Conway, Vice Chair, (CO); Dana Popish Severinghaus (IL); Amy L. Beard represented by Roy Eft (IN); Eric A. Cioppa (ME); Chlora Lindley-Myers represented by John Rehagen (MO); Mike Chaney (MS); Russell Toal (NM); Linda A. Lacewell represented by Sud Sumit (NY); Judith L. French, Dale Bruggeman, and Tom Botsko (OH); Raymond G. Farmer (SC); Doug Slape and Jamie Walker (TX); Mark Afable (WI); and Jeff Rude (WY).

1. **Adopted its July 8 and Spring National Meeting Minutes**

Commissioner White said the Committee met July 8 and took the following action: 1) adopted changes to the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450) that are intended to make explicit, rather than implicit, the regulatory authority that a commissioner should have relative to the continuation of essential services of an insurance company from an affiliate during a receivership; and 2) updated the life risk-based capital (RBC) bond factors effective for the 2021 reporting period.

Director Farmer made a motion, seconded by Commissioner Rude, to adopt the Committee’s July 8 (Attachment One), and April 13 (see NAIC Proceedings – Spring 2021, Financial Condition (E) Committee) minutes. The motion passed unanimously.

2. **Adopted the Reports of its Task Forces and Working Groups**

Commissioner White stated that the Committee usually takes one motion to adopt the Committee’s task force and working group reports that are considered technical, noncontroversial, and not significant by NAIC standards—i.e., they do not include model laws, model regulations, model guidelines, or items considered to be controversial. He reminded members of the Committee that subsequent to the Committee adoption of its votes, all the technical items included within the reports adopted will be sent to the NAIC members for review shortly after the conclusion of the Summer National Meeting as part of the E-Committee Technical Changes Report. Pursuant to the Technical Changes Report process previously adopted by the NAIC Plenary, the members will have 10 days to comment, otherwise the technical changes will be considered adopted by the NAIC and effective immediately. With respect to the task force and working group reports, Commissioner White asked the Committee: 1) whether there were any items that should be discussed further before being considered for adoption and sent to the members for consideration as part of the E-Committee Technical Changes Report; and 2) whether there were other issues not up for adoption that are currently being considered by task forces or workings groups reporting to this Committee that require further discussion. The response to both questions was no.

In addition to presenting the reports for possible adoption, Commissioner White also noted that the Financial Analysis (E) Working Group met July 14, June 16, May 18–19, and April 19 in regulator-to-regulator sessions, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss letter responses and financial results. Additionally, the Valuation Analysis (E) Working Group met July 26 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss valuation items related to specific companies.

Commissioner Slape made a motion, seconded by Director French, to adopt the following task force and working group reports:
- Accounting Practices and Procedures (E) Task Force
- Capital Adequacy (E) Task Force
- Examination Oversight (E) Task Force
- Financial Stability (E) Task Force
- Receivership and Insolvency (E) Task Force
- Reinsurance (E) Task Force
- Risk Retention Group (E) Task Force
- Valuation of Securities (E) Task Force
- Group Capital Calculation (E) Working Group (Attachment Two)
- Group Solvency Issues (E) Working Group (Attachment Three)
- Mortgage Guaranty Insurance (E) Working Group (Attachment Four and Five)
- Mutual Recognition of Jurisdictions (E) Working Group (Attachment Six)
- NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group (Attachment Seven)
- National Treatment and Coordination (E) Working Group (Attachment Eight)

3. **Adopted a Referral to the Statutory Accounting Principles (E) Working Group**

Commissioner White directed the Committee to a draft memorandum, which he explained was drafted by NAIC staff at his
Draft Pending Adoption

direction, as a means to start a conversation about modifying some of the terminology within the statutory accounting maintenance process. He noted that during the course of discussing Statement of Statutory Accounting Principles (SSAP) No. 71—Policy Acquisition Costs and Commissions, there was confusion about the term “non-substantive.” He suggested that while everyone was aware that the SSAP No. 71 issue was debated extensively at the Statutory Accounting Principles (E) Working Group, and therefore a deliberative discussion equivalent of what occurs for a new accounting pronouncement took place, the term “non-substantive” was still confusing. He asked members of the Committee to consider where they agreed with the concept of referring the issues to the Statutory Accounting Principles (E) Working Group so that it could further develop the final language. No objections or questions were raised.

Superintendent Cioppa made a motion, seconded by Commissioner Conway, to refer the memorandum to the Statutory Accounting Principles (E) Working Group (Attachment Nine). The motion passed unanimously.

4. Adopted Revisions to the Process for Evaluating Qualified and Reciprocal Jurisdictions

Mr. Rehagen described that the Process for Evaluating Qualified and Reciprocal Jurisdictions (process document) was first adopted by the NAIC in 2013, and its purpose was to provide a documented evaluation process for creating and maintaining the NAIC List of Qualified Jurisdictions. She noted that the process document was updated to incorporate the 2019 revisions to the Credit for Reinsurance Model Law (#785) and Credit for Reinsurance Model Regulation (#786) addressing reciprocal jurisdictions, and to make some revisions to the requirements for the re-evaluation of qualified jurisdictions. He emphasized how it was considered important to amend the process quickly in order to complete the reciprocal jurisdiction reviews for Bermuda, Japan, and Switzerland by the end of 2019. However, it was necessary to further improve the document in order to incorporate provisions for terminating the status of a qualified or reciprocal jurisdiction, and for creating a passporting process for reciprocal jurisdictions. A new draft was exposed for a 30-day public comment period on March 23, and four comment letters were received from interested parties.

Mr. Rehagen noted that the newly repurposed Mutual Recognition of Jurisdictions (E) Working Group met on May 27 and incorporated the suggested revisions from the comment letters. In addition, NAIC staff met with the Federal Insurance Office (FIO) on July 23 and incorporated some of the FIO’s suggestions, which added some clarifications to the process document. The Reinsurance (E) Task Force then adopted the revised process document on July 27.

Mr. Rehagen made a motion, seconded by Director Farmer, to adopt the revisions to the Process for Evaluating Qualified and Reciprocal Jurisdictions (Attachment Ten) and refer it to Plenary after this meeting for consideration of adoption. The motion passed unanimously.

5. Adopted Revised Charges for the Renamed Macroprudential (E) Working Group

Commissioner White described how the Financial Stability (E) Task Force was just now beginning its work on its macroprudential surveillance system, and with that there is a need to modify the charges to focus the Liquidity Stress Test Working Group on the elements of such a system, and at the same time, change the name to reflect that fact.

Mr. Rehagen made a motion, seconded by Mr. Eft, to adopt the revised charge for the renamed Macroprudential (E) Working Group (Attachment Eleven). The motion passed unanimously.

Having no further business, the Financial Condition (E) Committee adjourned.

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Virtual Meeting  
*(in lieu of meeting at the 2021 Fall National Meeting)*

**CAPITAL ADEQUACY (E) TASK FORCE**  
Wednesday, November 17, 2021

**Meeting Summary Report**

The Capital Adequacy (E) Task Force met Nov. 17, 2021. During this meeting, the Task Force:

1. Adopted its Sept. 30, minutes, which included the following action:  
   A. Adopted its 2022 proposed charges.

2. Adopted the report of the Health Risk-Based Capital (E) Working Group, including its Nov. 4 minutes. During this meeting, the Working Group took the following action:  
   B. Adopted its revised working agenda to add an item to review the investment income adjustment annually, and revised bond factors to a priority 3 with a completion date of year-end 2023 or later.  
   C. Received an update from the American Academy of Actuaries (Academy) regarding the H2 – Underwriting Risk Component Review.  
   D. Received an update on the Excessive Growth Charge Ad Hoc Group and the Health Test Ad Hoc Group.  
   E. Discussed incorporating pandemic risk into the Health Risk-Based Capital (RBC) Formula.

3. Adopted the report of the Life Risk-Based Capital (E) Working Group, including its Nov. 9 minutes. During this meeting, the Working Group took the following action:  
   A. Adopted its Summer National Meeting minutes.  
   B. Exposed its guidance document on bond factor changes for a 30-day comment period ending Dec. 9.  
   C. Exposed the Academy’s C2 Mortality Risk Work Group recommendation on mortality factor updates for a 60-day public comment period ending Jan. 10, 2022.

4. Adopted the report of the Catastrophe Risk (E) Subgroup, including its Nov. 15 minutes. During these meetings, the Subgroup took the following action:  
   A. Adopted the 2021 U.S. and non-U.S. catastrophe event lists.  
   B. Adopted its Oct. 27 minutes, which included the following action:  
      i. Adopted its Sept. 28 minutes, which included the following action:  
         a. Discussed its 2021 working agenda.  
         b. Heard a presentation from Karen Clark & Company (KCC) regarding the KCC U.S. wildfire model, which included the current wildfire trends and an overview of the KCC U.S. wildfire model.  
         c. Discussed the possibility of allowing additional third-party models or adjustments to the vendor models.  
      ii. Discussed allowing third-party models to calculate the Catastrophe Model Losses.  
5. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group, including its Oct. 25 minutes. During this meeting, the Working Group took the following action:
   A. Adopted its Summer National Meeting minutes, which included the following action:
      i. Adopted its June 9 and April 27 minutes, which included the following action:
         b. Adopted proposal 2021-08-P (P/C Bond Factors and Instructions).
         c. Adopted proposal 2021-03-P (Credit Risk Instruction Modification).
         d. Forwarded the response to the Restructuring Mechanisms (E) Subgroup.
         e. Heard a presentation on property/casualty (P/C) RBC underwriting risk factors from the Academy.
   B. Heard a report from the Catastrophe Risk (E) Subgroup, which included:
      i. An update from the Catastrophe Model Technical Review Ad Hoc Group, which included KCC’s and Risk Management Solution’s (RMS’s) written responses to the ad hoc group’s questions on their wildfire models since the Summer National Meeting.
      ii. An overview of the Catastrophe Risk (E) Subgroup’s Fall National Meeting agenda, which will include the following items:
         a. Adopt its Sept. 28 minutes, which included the following action:
            1) Discussed its 2021 working agenda.
            2) Heard a presentation from KCC regarding the KCC U.S. Wildfire Model.
            3) Discuss the possibility of allowing third-party models calculate the catastrophe model losses.
            5) Hear an update from the Catastrophe Model Technical Review Ad Hoc Group.
            6) Hear a presentation from RMS regarding its Wildfire High Definition (HD) Model.
            7) Discuss the impact analysis on different third-party commercial wildfire models.
   C. Exposed a draft recommendation to the Restructuring Mechanism (E) Subgroup for a 30-day public comment period ending Nov. 24. The draft recommendation was developed by the Property and Casualty Risk-Based Capital (E) Working Group, which included the findings and recommendation of the runoff companies.
   D. Exposed proposal 2021-14-P (R3 Factor Adjustment) for a 30-day public comment period ending Nov. 24.
   E. Heard an update on the status of the research on recommending adjustments to the formulas for premium and reserve risk to reflect the impact of interest rates from the Academy.


7. Adopted its working agenda.

8. Discussed a memorandum to the Financial Condition (E) Committee requesting a new working group under the direction of the Capital Adequacy (E) Task Force.

9. Heard a presentation from RMS regarding its North America Wildfire HD Model.
The Examination Oversight (E) Task Force met Dec. 1, 2021. The following Task Force members participated: Judith L. French, Chair, represented by Dwight Radel (OH); Carter Lawrence, Vice Chair, represented by Joy Little (TN); Jim L. Ridling represented by Sean Duke (AL); Lori K. King-Heier represented by David Pfifer (AK); Alan McClain (AR); Evan G. Daniels represented by David Lee (AZ); Ricardo Lara represented by Susan Bernard and Laura Clements (CA); Michael Conway represented by Rolf Kaumann (CO); Andrew N. Mais represented by William Arfanis (CT); Karima M. Woods represented by N. Kevin Brown (DC); Dean L. Cameron represented by Eric Fletcher (ID); Amy L. Beard represented by Roy Eft and Jerry Ehlers (IN); Doug Ommen represented by Dan Mathis (IA); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Jeff Gaither (KY); James J. Donelon represented by Stewart Guerin (LA); Gary D. Anderson represented by John Turchi (MA); Anita G. Fox represented by Judy Weaver (MI); Chlora Lindley-Myers represented by Shannon Schmoeger (MO); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Lindsay Crawford (NE); Chris Nicolopoulos represented by Colin Wilkins (NH); Russell Toal represented by Leatrice Geckler (NM); Glen Mulready represented by Eli Snowbarger (OK); Larry D. Deiter represented by Johanna Nickelson (SD); Cassie Brown represented by Shawn Frederick (TX); Scott A. White represented by David Smith and Doug Stolte (VA); Mike Kreidler represented by John Jacobson (WA); Mark Afable represented by Amy Malm (WI); and Jeff Rude represented by Linda Johnson and Doug Melvin (WY).

1. **Adopted its Sept. 30 and Summer National Meeting Minutes**

The Task Force conducted an e-vote that concluded on Sept. 30 to: 1) adopt its Summer National Meeting minutes; and 2) adopt its 2022 proposed charges.

Ms. Bernard made a motion, seconded by Ms. Malm, to adopt the Task Force’s Sept. 30 (Attachment One) and Aug. 5 (see *NAIC Proceedings – Summer 2021, Examination Oversight (E) Task Force*) minutes. The motion passed unanimously.

2. **Adopted the Reports of its Working Groups**

a. **Electronic Workpaper (E) Working Group**

Ms. Bernard provided the report of the Electronic Workpaper (E) Working Group. She stated that the Working Group met Nov. 16 in regulator-to-regulator session, pursuant to paragraph 4 (internal or administrative matters of the NAIC or any NAIC member) of the NAIC Policy Statement on Open Meetings, to continue work on its goals. She said the Working Group has continued to oversee and receive updates on the transition of the state insurance regulators’ workpaper documentation application. She encouraged state insurance regulators who wish to follow the progress of the transition to request to be added as an interested state insurance regulator.

b. **Financial Analysis Solvency Tools (E) Working Group**

Ms. Weaver provided the report of the Financial Analysis Solvency Tools (E) Working Group. She stated that the Working Group met Nov. 15 and conducted an e-vote that concluded on Oct. 12 to adopt revisions to the Financial Analysis Handbook on the following topics:

1. Liquidity Stress Test (LST): A new procedure and high-level guidance for the Lead State holding company analysis chapter was added to the previously adopted LST Framework and related *Insurance Holding Company System Regulatory Act (#440)* and *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450)* revisions. This requests that the lead state review and determine if any concerns exist and, if necessary, seek further explanation from the insurer.

2. Group Capital Calculation (GCC): Guidance was included to incorporate the GCC into the analysis process, specifically to be utilized as an analysis tool, rather than a set of ratios.
Mr. Radel provided the report of the Financial Examiners Coordination (E) Working Group. He stated that the Working Group met Nov. 29 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to continue work on its goals.

d. Financial Examiners Handbook (E) Technical Group

Ms. Bernard provided the report of the Financial Examiners Handbook (E) Technical Group. She stated that the Technical Group met Nov. 17 and Oct. 5 to adopt guidance for inclusion in the Financial Condition Examiners Handbook on the following topics:

1. Coordination Framework: The Coordination Framework was revised to clarify and simplify the roles and responsibilities of states that are or could be involved in a coordinated examination. As part of these revisions, the Technical Group expects to recommend that the Committee update its guidance related to the use of Exhibit Z for documenting exam coordination.

2. Completeness and Accuracy: The reserves and underwriting repositories were updated to enhance the procedures used for testing the completeness and accuracy of data. These updates reflect a broader range of testing procedures that auditors are using to test the completeness and accuracy of data, including placing more reliance on control testing and using analytical procedures.

e. Information Technology (IT) Examination (E) Working Group

Mr. Ehlers provided the report of the IT Examination (E) Working Group. He stated that the Working Group met Nov. 18 and Oct. 13 to adopt revisions on the following topics:

1. Guidance within the Financial Condition Examiners Handbook:
   a. Quality and Portability of Policyholder Data, in response to a referral from the Receivership Financial Analysis (E) Working Group:
      i. Sections 1–3 revised to include new guidance describing the importance of insurance companies maintaining data in a manner that would allow for the timely and efficient transfer of policyholder data, as well as tools that may be used in conducting this assessment.
      ii. Exhibit C – IT Planning Questionnaire and Instructional Notes were updated to include inquiries regarding comingled data and the accessibility and transferability of significant company data sets, as well as references to procedures within the IT work program that could be used in addressing related risks.
      iii. Exhibit C – Work Program was updated to include common controls, preliminary information requests, and possible test procedures regarding the accessibility and transferability of data.
   b. Ransomware and Other Cybersecurity Risks:
      i. Sections 1–3 revised to include new guidance describing ransomware and considerations for assessing an insurer’s overall cyber hygiene.
      ii. Exhibit C – Work Program was updated to include common controls, preliminary information requests, and possible test procedures regarding the nature of company backup systems and whether those backups are air-gapped and immutable.

2. Sound Practice: A new sound practices document, which will be published on the Working Group’s public website, was developed in response to a referral from the Chief Financial Regulator Forum. This document provides additional guidance for assessing cyber vulnerabilities, including possible questions to ask insurers and procedures to perform if a cyber vulnerability is discovered in the period between full-scope examinations.

Mr. Koumann made a motion, seconded by Mr. McClain, to adopt reports of the Electronic Workpaper (E) Working Group, the Financial Analysis Solvency Tools (E) Working Group (Attachment Two), the Financial Examiners Coordination (E) Working Group, the Financial Examiners Handbook (E) Technical Group (Attachment Three), and the IT Examination (E) Working Group (Attachment Four). The motion passed unanimously.

Having no further business, the Examination Oversight (E) Task Force adjourned into regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings, to receive reports on exams open past 22 months.
Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)

Financial Stability (E) TASK FORCE
Tuesday, December 7, 2021

Meeting Summary Report

The Financial Stability (E) Task Force met Dec. 7, 2021. During this meeting, the Task Force:

1. Adopted its Sept. 30 and Summer National Meeting minutes, which included the following action:
   A. Adopted its 2022 proposed charges.
   B. Heard an update on private equity.
   C. Heard a macroprudential risk assessment update.

2. Received an Update on Financial Stability Oversight Council (FSOC) Developments.

3. Received a Macroprudential (E) Working Group update, which references two regulator only meetings to discuss a high-level summary of 2020 liquidity stress test results and an update on the development of a macroprudential risk assessment.

4. Adopted a motion to affirm the role of the Macroprudential (E) Working Group as the coordinator of considerations related to private equity (PE) owners of insurers and to release its initial draft list of considerations for a 30-day comment period.

5. Received the Valuation Analysis (E) Working Group’s Update Report on the Task Force’s variable annuity concern.

6. Heard an international update, which includes an update on the International Association of Insurance Supervisors’ global monitoring exercise and the consultation on liquidity stress testing.
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Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)

RECEIVERSHIP AND INSOLVENCY (E) TASK FORCE
Tuesday, November 30, 2021

Meeting Summary Report

The Receivership and Insolvency (E) Task Force met Nov. 30, 2021. During this meeting, the Task Force:

1. Adopted its Oct. 21 minutes, which included the following action:
   A. Adopted its Summer National Meeting minutes.
   B. Exposed a referral to the Financial Regulation Standards and Accreditation (F) Committee regarding receivership amendments to the Insurance Holding Company System Regulatory Act (#440) and the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450) for a 30-day public comment period ending Nov. 22.
   C. Exposed a draft memorandum to state insurance departments on receivership and guaranty fund laws for a 30-day public comment period ending Nov. 22.
   D. Heard an update on international resolution activities.

2. Adopted the report of the Receivership Financial Analysis (E) Working Group, which met Nov. 15, in lieu of the Fall National Meeting, in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss companies in receivership.

3. Adopted the report of the Receiver’s Handbook (E) Subgroup, which met Nov. 18 to expose revisions to Chapter 1 and Chapter 2 of the Receiver’s Handbook for Insurance Company Insolvencies (Receiver’s Handbook) for a 30-day public comment period ending Dec. 20. Drafting groups are currently working on revisions to the other chapters of the Receiver’s Handbook.

4. Adopted the referral to the Financial Regulation Standards and Accreditation (F) Committee regarding receivership amendments to Model #440 and Model #450.

5. Adopted a draft memorandum to state insurance departments on receivership and guaranty fund laws that have been identified as critical for states’ laws with respect to multi-jurisdictional receiverships and that may require state insurance departments’ attention. The memorandum also highlights recently adopted model revisions and guidelines that states may wish to consider addressing in their receivership and guaranty fund laws.

6. Heard an update on federal activities. The NAIC’s proposed State Insurance Receivership Priority (SIRP) Act establishes a time limit in the Federal Priority Act (FPA) for the Department of Justice (DOJ) to file claims of the U.S. to insolvent insurance company estates and to ensure that requests for releases of claims are not left pending for years. Several members of the Task Force and NAIC staff are working with U.S. Rep. Madeleine Dean’s office to finalize edits to the SIRP Act. It is expected to be introduced to the U.S. House of Representatives in early 2022.

https://naiconline.sharepoint.com/:w:/r/sites/NAICSupportStaffHub/Member%20Meetings/Fall%202021/TF/Receivership/RITF%20Summary%20113021.docx?d=wdab00c52bfbb4a8399ff45aee6cb2857&csf=1&web=1&e=DQFtnx
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The Risk Retention Group (E) Task Force met Nov. 30, 2021. The following Task Force members participated: Michael S. Pieciak, Chair, represented by Sandra Bigglestone (VT); Karima M. Woods, Vice Chair, represented by Sean O’Donnell (DC); Andrew N. Mais represented by Fenhua Liu (CT); Sharon P. Clark represented by Russell Coy (KY); and Russell Toal represented by Leatrice Geckler (NM). Also participating were: Steve Kinion (DE); and Christine Brown (VT).

1. **Adopted its Summer National Meeting Minutes**

Mr. O’Donnell made a motion, seconded by Mr. Coy, to adopt the Task Force’s July 26, minutes *(see NAIC Proceedings – Summer 2021, Risk Retention Group (E) Task Force)* minutes. The motion passed unanimously.

2. **Discussed a Proposed Preliminary Memorandum**

Ms. Bigglestone stated that during its July 26 meeting, the Task Force discussed results of the survey conducted earlier this year and formed an initial plan to address concerns. There were two areas of focus. The first is the preparation of a template that can be completed by a domiciliary state when a new risk retention group (RRG) is formed and there is no Insurer Profile Summary (IPS) available. This template can be provided upon request to states the RRG is registering in. The second is to review the registration form and consider if additional guidance or instructions for either the state or the RRG would help reduce the delays that occur when the form is incomplete. A group of volunteers took on these tasks. They completed a template for what is now called the Preliminary Memorandum, *(Attachment A)*. They also discussed the NAIC Uniform Registration Form (registration form), but they thought that the Preliminary Memorandum may address many of the concerns of state insurance regulators reviewing the registration form. The volunteers also discussed that there may still be questions/concerns from RRGs completing the forms, but they thought they lacked the necessary perspective to address concerns from the insurer side.

Ms. Brown provided an overview of the memorandum, stating that the volunteers believe it will be a helpful tool for sharing with non-domiciliary regulators, and it will form the basis of the IPS once the company files its annual statement.

Ms. Bigglestone and Ms. Liu agreed the memorandum would be helpful and should be considered by the Task Force.

Ms. Bigglestone stated that the memorandum will likely be exposed in spring 2022 for further consideration by the Task Force.

3. **Received Updates Regarding the Proposed Accreditation Standard for the GCC**

In 2020, the NAIC adopted revisions to the *Insurance Holding Company System Regulatory Act (#440)* and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450)*. The revisions include a requirement for all groups to submit a group capital calculation (GCC). Per the models, all groups with at least one insurer and one affiliate are subject to the filing, at least once. The Financial Regulation Standards and Accreditation (F) Committee discussed a referral recommending that the changes become an accreditation standard for all states. As a result of this discussion, the Committee voted to expose the referral for a one-year public comment period beginning Jan. 1, 2022. The exposure is subject to final approval by Plenary at the Fall National Meeting. The exposure by the Committee also altered two key items from the initial referral. First, the Committee proposes an effective date of Jan. 1, 2026, for all states. Second, and most important to the discussion at this Task Force, the Committee proposed an accreditation standard that does not include the requirement for each group to file the GCC at least once before an exemption can be granted. This means that a commissioner has discretion to grant an exemption to the filing without receiving an initial filing from the insurance group. Ms. Bigglestone noted that this is not an automatic exemption; it must specifically be granted by the commissioner. However, it does allow states more flexibility.

Ms. Bigglestone stated that per the Task Force’s charges, it intends to provide a comment letter during the one-year exposure period next year regarding the application of the standard to RRGs.
Mr. O'Donnell said the additional flexibility would be helpful for RRGs in a holding company group. Mr. Kinion asked for clarification regarding which groups are subject to the GCC, including whether captives were subject to the GCC. Robert Myers (National Risk Retention Association—NRRA) also asked for clarification regarding a size threshold for groups filing the GCC. Dan Schelp (NAIC) confirmed that a group is defined as at least one insurer and at least one affiliate. There is no threshold for filing a GCC. There is a threshold in Model #450 that allows groups with less than $1 billion in premium to request an exemption from the filing after at least one initial filing. The proposed accreditation requirement does not include the requirement to file at least once prior to a commissioner granting an exemption. Captives are generally excluded from the accreditation program. Therefore, they are not required to be subject to the holding company models and, as a result, the GCC. However, RRGs licensed as captives are subject to accreditation, and each standard must be considered for applicability to RRGs, including the GCC.

Ms. Bigglestone noted that additional guidance for considerations when granting exemptions may need to be developed if the accreditation standard is adopted as proposed.

4. **Received Updates on Related NAIC and/or Federal Actions**

Ms. Bigglestone noted that the Task Force continues its ongoing commitment to promote educational and communication opportunities. One such opportunity was the NRRA conference in early November, which included a state insurance regulator panel discussing regulation of RRGs. Anyone aware of future educational opportunities or resources is encouraged to communicate with the Task Force.

Ms. Bigglestone noted that the Surplus Lines (C) Task Force is working to update the *Nonadmitted Insurance Model Act* (#870). On Nov. 23, the NRRA sent a letter to the drafting group working on updates to Model #870, which comments on the definition of “home state” as it relates to an insured being a member of an unaffiliated group. The revisions in the NAIC model act establish the allocation of premium for affiliated groups, but they do not address unaffiliated groups. Since risk purchasing groups (RPGs) are primarily made up of unaffiliated members or insurance buyers, the current draft revisions complicate how premium tax will be collected from RPGs. The NRRA’s letter also draws attention to previous discussions and conclusions reached by the Surplus Lines (E) Task Force with respect to RPGs that may contradict current discussions. The work of the drafting group is still ongoing.

Having no further business, the Risk Retention Group (E) Task Force adjourned.

*Risk Retention Group E Task Force 11-30-21 Minutes*
Virtual Meeting  
(in lieu of meeting at the 2021 Fall National Meeting)

GROUP CAPITAL CALCULATION (E) WORKING GROUP
Monday, November 22, 2021

Meeting Summary Report

The Group Capital Calculation (E) Working Group met Nov. 22, 2021. During this meeting, the Working Group:

1. Adopted its Nov. 8, Sept. 8, and Summer National Meeting minutes, which included the following action:
   A. Exposed a staff memorandum that includes possible group capital calculation (GCC) modifications for a public comment period ending Dec. 23.
   B. Exposed some clarifying changes to the GCC instructions that were previously provided to the Working Group and the public as part of the GCC Trial Implementation for a public comment period ending Dec. 8.
   C. Discussed comments on maintenance documents and proposed revisions.
   D. Discussed comments on a draft referral to the Capital Adequacy (E) Task Force.
   E. Adopted recommended changes to the Financial Analysis Handbook that incorporate guidance on utilizing the GCC, and subsequently distributed these changes to the Financial Analysis Solvency Tools (E) Working Group.

2. Discussed the results of the GCC Trial Implementation.
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Virtual Meeting  
*(in lieu of meeting at the 2021 Fall National Meeting)*

**GROUP SOLVENCY ISSUES (E) WORKING GROUP**  
Tuesday, November 30, 2021

**Meeting Summary Report**

The Group Solvency Issues (E) Working Group met Nov. 30, 2021. During this meeting, the Working Group:

1. Adopted its Summer National Meeting minutes.

2. Discussed comments received during the re-exposure of proposed revisions to the *Financial Analysis Handbook* (Handbook) to incorporate Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) elements deemed appropriate for incorporation into the U.S. system of solvency regulation
   A. Received a summary of comments provided by the American Council of Life Insurers (ACLI) and the American Property Casualty Insurance Association (APCIA) on the re-exposure.
      i. After discussing the comments received, the Working Group agreed to certain revisions proposed by the commenters.
         a. The Working Group agreed to remove language specifically referencing ComFrame in the Handbook text.
         b. The Working Group agreed to remove language indicating that International Association of Insurance Supervisors (IAIS) insurance capital standard (ICS) reporting could be used for risk assessment purposes.

3. Received updates from its ComFrame Examination Drafting Group and ComFrame Own Risk and Solvency Assessment (ORSA) Drafting Group on the status of their efforts to develop proposed revisions to incorporate ComFrame elements into the *Financial Condition Examiners Handbook* and the *ORSA Guidance Manual*.
   A. Both drafting groups indicated that multiple meetings of volunteers have been held to begin discussions and drafting work on the project
   B. Both groups stated a goal to complete the initial drafting process for public exposure of the proposed revisions during the first quarter of 2022

4. Received an update on the status of IAIS group-related activities, which stated the IAIS recently adopted its revised *Application Paper on Supervisory Colleges*. State insurance regulators and interested parties were encouraged to review the revised Application Paper to gain an understanding of best practices in facilitating effective supervisory college sessions.

GSIWG Summary
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Mutual Recognition of Jurisdictions (E) Working Group  
Virtual Meeting  
November 18, 2021

The Mutual Recognition of Jurisdictions (E) Working Group of the Financial Condition (E) Committee met Nov. 18, 2021. The following Working Group members participated: Robert Wake, Chair (ME); Monica Macaluso, Vice Chair (CA); Kathy Belfi (CT); Virginia Christy (FL); Scott Sanders (GA); Tom Travis (LA); Shelley Woods (MO); Lindsay Crawford (NE); John Tirado (NJ); Michael Campanelli (NY); and Amy Garcia (TX).

1. Adopted the Yearly Due Diligence Reviews of the Qualified Jurisdictions and Reciprocal Jurisdictions

Mr. Wake stated that the Process for Evaluating Qualified and Reciprocal Jurisdictions (QJ/RJ Process) provides a process for re-evaluating both qualified jurisdictions and reciprocal jurisdictions after their initial review and noted that this information is detailed in a memorandum from NAIC staff dated Nov. 8, 2021 (Attachment 1). Mr. Wake stated that prior to the 2019 revisions to the QJ/RJ Process, all qualified jurisdictions were to be reviewed fully every five years. He noted that the document was updated in 2019 with the process to be ongoing and continuous, where NAIC staff provide an annual update to the Working Group that verifies that there have not been any changes to the laws, regulations, or administrative processes of the jurisdictions that would potentially affect their status.

Jake Stultz (NAIC) stated that to conduct the review, NAIC staff searched for any publicly available information that would potentially affect the jurisdictions’ status as a qualified jurisdiction or as a reciprocal jurisdiction. He stated that much of the same documentation was used in the initial review and the 2019 full re-review of the jurisdictions. He stated that NAIC staff searched for any publicly available information about any changes to existing insurance and reinsurance laws and regulations in the jurisdictions. NAIC staff verified whether a new Financial Sector Assessment Program (FSAP) Report prepared by the International Monetary Fund (IMF), or any other externally produced documentation, was available, including the Technical Note on Insurance Sector Supervision, and if there was any other publicly available information regarding the laws, regulations, administrative practices, and procedures applicable to the reinsurance supervisory system. He stated that this search also included any documents from ratings agencies and any other public information that was deemed to be relevant.

Mr. Stultz stated that NAIC staff did not engage directly with the qualified jurisdictions or reciprocal jurisdictions and relied solely on publicly available information. He noted that NAIC staff consulted with the Federal Insurance Office (FIO) and United States Trade Representative (USTR).

Mr. Stultz stated that NAIC staff concluded that the reinsurance supervisory systems of the seven qualified jurisdictions (i.e., Bermuda, France, Germany, Ireland, Japan, Switzerland, and the United Kingdom [UK]) continue to achieve a level of effectiveness in financial solvency regulation that is acceptable for purposes of reinsurance collateral reduction, that their demonstrated practices and procedures with respect to reinsurance supervision continue to be consistent with their respective reinsurance supervisory systems, and that their laws and practices satisfy the criteria required of qualified jurisdictions as set forth in the Credit for Reinsurance Model Law (#785) and Credit for Reinsurance Model Regulation (#786). NAIC staff made similar findings with respect to the three reciprocal jurisdictions that are not subject to an in-force covered agreement (i.e., Bermuda, Japan, and Switzerland). He stated that NAIC staff recommend that these jurisdictions continue to qualify for inclusion on the NAIC List of Qualified Jurisdictions and the NAIC List of Reciprocal Jurisdictions.

Mr. Travis made a motion, seconded by Ms. Crawford, to confirm the status of Bermuda, France, Germany, Ireland, Japan, Switzerland, and the UK as qualified jurisdictions and Bermuda, Japan, and Switzerland as reciprocal jurisdictions. The motion passed unanimously.

2. Adopted the GCC Process

Mr. Wake stated that during 2020, the NAIC adopted revisions to the Insurance Holding Company System Regulatory Act (#440) and the Insurance Holding Company System Model Regulation With Reporting Forms and Instructions (#450), which implemented group capital calculation (GCC) filing requirements for insurance groups at the level of the ultimate controlling person and incorporate the requirements for a group-wide capital calculation as addressed under the “Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance”
Mr. Wake stated that Section 4L(2) of Model #440 provides two ways a non-U.S. jurisdiction may meet the standards for its insurance groups to be exempted from the GCC. The first is if the jurisdiction has been determined to be a reciprocal jurisdiction for purposes of credit for reinsurance, and the second is if the jurisdiction has otherwise been determined to recognize and accept the GCC by procedures specified in regulation. He noted that the Working Group was charged with creating a process to determine whether other jurisdictions “recognize and accept” the NAIC GCC.

Mr. Wake stated that the Working Group originally exposed a draft of the Process for Evaluating Jurisdictions That Recognize and Accept the Group Capital Calculation (GCC Process) for a public comment period on July 21 and received a public comment letter from a U.S. coalition of companies (Attachment 2) and an informal comment from a non-U.S. insurance supervisor. The Working Group then met Sept. 22 in regulator-to-regulator session, pursuant to paragraph 8 (consideration of strategic planning issues) of the NAIC Policy Statement on Open Meetings, regarding international regulatory matters. Mr. Wake said the Working Group released a revised draft of the GCC Process for a 21-day public comment period on Sept. 22 (Attachment 3) and noted that one comment letter was received (Attachment 4). Mr. Wake stated that after exposing the Sept. 22 draft, NAIC staff held discussions with representatives of the FIO, and because of the discussions, NAIC staff revised the GCC Process in a draft dated Nov. 8 that was included with the meeting materials (Attachment 5).

Dan Schelp (NAIC) stated that the revisions contained in both the Nov. 8 and Sept. 22 drafts are primarily stylistic in nature and non-substantive. He noted that most of the revisions found in the Sept. 22 draft were based on the U.S. coalition of companies comment letter. He noted that the Sept. 22 draft added a section for the review of evaluation materials, which is consistent with the QJ/RJ Process. He added that a revision to paragraph 12 addressed the informal comment received from a non-U.S. supervisor regarding the use of memorandum of understanding (MOU); specifically, it will not be necessary for a non-U.S. jurisdiction to enter into multiple MOUs with jurisdictions where its company does business in multiple states. He stated that the jurisdiction will only be required to enter into one MOU with a single state that has agreed to serve as a single point of contact for multiple lead states in this process. He noted that this concept is comparable to that used under the processes for certified reinsurers and qualified jurisdictions.

Mr. Schelp stated that the Nov. 8 draft addressed issues discussed with the FIO. He stated that the revisions in paragraph 3 are an acknowledgment that unlike the reinsurance collateral provisions, states are not required to comply with the group capital provisions of the covered agreements and that revisions to paragraph 9 and paragraph 10 are an acknowledgement that both the FIO and the USTR have an interest in the evaluation of reciprocal jurisdictions, and that the Working Group will consult with the FIO and the USTR in these circumstances.

Mr. Schelp stated that the comment letter from Swiss Re suggested that the GCC Process, QJ/RJ Process, and possibly the new ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers (ReFAWG Process) should all become Part B accreditation standards. Mr. Schelp stated that he had contacted NAIC staff support for the the Financial Regulation Standards and Accreditation (F) Committee and added that making these processes accreditation standards would be unusual, but it is something that can be discussed.

Mr. Schelp stated that it is the recommendation of NAIC staff that the Working Group adopt the Nov. 8 draft of the GCC Process. He noted that once it has been approved by the Working Group, it would then go to the Financial Condition (E) Committee and NAIC Executive (EX) Committee and Plenary for final adoption at the Fall National meeting.

Ms. Macaluso made a motion, seconded by Mr. Travis, to adopt the Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation, dated Nov. 8. The motion passed unanimously.

3. Provided an Update on the Republic of Korea Application to Become a Qualified Jurisdiction

Mr. Wake stated that on May 27, the Working Group approved a recommendation for the Republic of Korea to become a qualified jurisdiction. He noted that this recommendation was exposed publicly by the Reinsurance (E) Task Force on June 3. As a result of the exposure, the Task Force was notified about an ongoing issue with data localization requirements in the Republic of Korea, which must be remediated before the process can move forward. Mr. Wake stated that the Task Force referred this issue back to the Working Group at the Summer National Meeting.
Mr. Wake stated that NAIC staff and a small group of state insurance regulators have held meetings with both the Republic of Korea Financial Services Commission (FSC) and Financial Supervisory Service (FSS), as well as with U.S. insurance trade groups, to better understand the issues and to help move this process forward. He noted that no action had yet been taken and that further updates will be provided to the Working Group when more is known.

Having no further business, the Mutual Recognition of Jurisdictions (E) Working Group adjourned.
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The NAIC/AICPA (E) Working Group of the Financial Condition (E) Committee met Sept. 13, 2021. The following Working Group members participated: Doug Stolte, Chair (VA); Laura Clements (CA); Rylynn Brown (DE); Kevin Clark (IA); Judy Weaver (MI); Shannon Schmoeger (MO); Lindsay Crawford (NE); Doug Bartlett (NH); Dale Bruggeman (OH); Melissa Greiner and Kimberly Rankin (PA); Johanna Nickelson (SD); and Weimei Ye (UT).

1. Discussed the Model #205 Premium Threshold

Mr. Stolte said the Working Group is responsible for reviewing the $500 million annual premium threshold contained within the Annual Financial Reporting Model Regulation (#205) on an annual basis. Bruce Jenson (NAIC) gave an update on the results of the annual review, noting that as of Dec. 31, 2020, 92.6% of all direct written premiums and 94.1% of all gross written premiums would be subject to internal control reporting requirements. Mr. Stolte noted that these results were within the Working Group’s expectations, and no action to adjust the threshold was deemed necessary at this time.

2. Heard an Update on Recent Auditing Pronouncements

Jean Connolly (PricewaterhouseCoopers—PwC) provided an overview of recent auditing pronouncements affecting statutory audit reports. She stated that the AICPA Auditing Standards Board issued Statement on Auditing Standards (SAS) No. 139—Amendments to AU-C Sections 800, 805, and 810 to Incorporate Auditor Reporting Changes From SAS No. 134, which incorporates the new auditor reporting language in SAS No. 134—Auditor Reporting and Amendments; Including Amendments Addressing Disclosures in the Audit of Financial Statements for statements prepared following special purpose frameworks. The changes are intended to enhance the communicative value and relevance of the auditor’s report and to be more consistent with the standards of the International Auditing and Assurance Standards Board (IAASB) and recent updates to Public Company Accounting Oversight Board (PCAOB) standards. The original effective date was deferred a year for the pandemic and is now effective for periods ending on or after Dec. 15, 2021.

Ms. Connolly stated that the call materials provided an example of the revised auditor report drafted by the AICPA (Attachment XXX). The application of SAS No. 139 results in changes to the format and enhanced information added to the auditor report. The opinion section of the report is now required to be presented first, followed by a section outlining the basis for the opinion. This section will not include a statement that the auditor is required to be independent of the entity and meet the auditor’s other ethical responsibilities, in accordance with the relevant ethical requirements relating to the audit.

In addition, Ms. Connolly stated that the revised report includes enhanced auditor reporting relating to the company’s ability to continue as a going concern, including a description of the respective responsibilities of management when required by the applicable financial reporting framework, and the auditor for going concern considerations. The revised report also includes an expanded description of the auditor’s responsibilities, including the auditor’s responsibilities relating to professional judgment and professional skepticism, and the auditor’s communications with those charged with governance. Ms. Connolly stated that the auditors' responsibilities have not changed under SAS No. 139, but auditors will now be required to communicate those responsibilities in more detail.

Ms. Connolly stated that the example report included in the materials is a general use report, but some certified public accountant (CPA) firms issue restricted use reports for insurance company statutory financial statements. These reports will look very similar to the example provided, except there will be no opinion on conformity with U.S. generally accepted accounting principles (GAAP), and the financial statements may not be suitable for purposes other than for use by the state insurance regulator.

In addition to the SAS No. 139 changes, Ms. Connolly noted that other new auditing standards have recently been adopted; i.e., SAS No. 142—Audit Evidence, SAS No. 143—Auditing Accounting Estimates and Related Disclosures, and SAS No. 144—Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained From External Information Sources. However, they will not be applied until audits as of Dec. 31, 2022, or Dec. 31, 2023.

Mr. Stolte thanked Ms. Connolly for her overview of the new standards.
3. **Heard an Update on the Results of 2020 Reserve Data Training**

Mr. Stolte said the next agenda item is to hear an update on the results and takeaways from a joint project between the NAIC and the AICPA on reserve data training for state insurance regulators that was conducted in 2020. Mr. Jenson stated that AICPA firm representatives prepared and presented two different two-hour webinars on testing the completeness and accuracy of underlying loss reserve data to financial regulators in September 2020. More than 300 regulators participated in each session, with the training being very well received and highly rated. Mr. Jenson stated that NAIC staff have since been working to incorporate lessons learned from the training into the development of updated guidance for the NAIC’s *Financial Condition Examiners Handbook* (Handbook).

Bailey Henning (NAIC) stated that proposed revisions to the Handbook include the development of additional procedures for inclusion in the reserving and underwriting repositories, with an emphasis on additional analytical procedures and communication with the examination actuary in determining the testing to be performed in this area. She stated that the proposed revisions will be presented to the Financial Examiners Handbook (E) Technical Group on its next call before being exposed for a public comment period.

Mr. Stolte thanked the AICPA firm representatives for preparing and presenting the training, and he encouraged Working Group members to follow the efforts of the Technical Group on this project.

4. **Discussed Other Matters**

Mr. Stolte stated that earlier this year, the Working Group conducted an e-vote to adopt updates to the NAIC’s *Model Audit Rule Implementation Guide* (Implementation Guide) to encourage audit firms to provide information on the engagement partner in the annual “Communication of Internal Control Related Matters Noted in an Audit” letter. The intent behind collecting information on the engagement partner in this letter is to assist state insurance regulators in monitoring compliance with auditor qualifications and rotation requirements. Mr. Stolte stated that this information will be expected to be included in internal control letters filed in support of the Dec. 31, 2021, annual audit period, so he encouraged states to ensure that their domestic insurers and external auditors are aware of this new expectation. He stated that the updated guidance has been included in the Implementation Guide available on the NAIC website, and it will also be included in the printed version of the NAIC’s *Accounting Practices and Procedures Manual* (AP&P Manual) next year. In addition, he stated that the new guidance has been incorporated into the AICPA’s Insurance Audit Guides and its internal control letter templates.

Having no further business, the NAIC/AICPA (E) Working Group adjourned.

https://naiconline.sharepoint.com/sites/NAICSsupportStaffHub/MemberMeetings/Fall2021/Cmte/E/AICPA/9-13-21AICPAWGmin.docx
Virtual Meeting
National Treatment and Coordination (E) Working Group
Wednesday, December 1, 2021

Summary Report

The National Treatment and Coordination (E) Working Group met Dec. 1, 2021. During this meeting, the Working Group:

1. Adopted its Sept. 29, minutes, which included the following action:
   A. Discussed its 2022 proposed charges.
   B. Adopted proposal 2021-06 (Request for Disclaimer).
   C. Received a referral from the Financial Analysis (E) Working Group regarding private equity firms acquiring ownership of an insurer and to assist in maintaining a record of private equity-owned insurers.
   D. Discussed Form A guidance on shell company acquisitions, including companies that have gone into liquidation and are sold separate from the liabilities.
   E. Discussed non-domiciliary state notification of dissolution or mergers.

2. Exposed proposal 2021-07 (Company Responses) for a 45-day public comment period ending Jan. 14, 2022.


4. Discussed shell acquisitions and liquidations.

5. Heard an update on the company licensing electronic application project.

NCTWG Summary
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Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)

RESTRUCTURING MECHANISMS (E) WORKING GROUP
Monday, December 6, 2021
4:00 – 5:00 p.m. ET / 3:00 – 4:00 p.m. CT / 2:00 – 3:00 p.m. MT / 1:00 – 2:00 p.m. PT

Meeting Summary Report

The Restructuring Mechanisms (E) Working Group met Dec. 6, 2021. During this meeting, the Working Group:

1. Discussed comments received on a co-chair draft white paper. The white paper is structured around the existing good practices within the NAIC’s 1997 Liability-Based Restructuring White Paper, as well as other best practices presented to the Working Group in 2019 from various organization. Future discussion is expected.

Restructuring Summary.docx
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The Risk-Focused Surveillance (E) Working Group of the Financial Condition (E) Committee met Nov. 9, 2021. The following Working Group members participated: Justin Schrader, Chair (NE); Amy Malm, Vice Chair (WI); Blase Abreo and Sheila Travis (AL); Susan Bernard (CA); William Arfanis and Kathy Belfi (CT); Carolyn Morgan and Virginia Christy (FL); Daniel Mathis (IA); Cindy Andersen and Eric Moser (IL); Roy Eft (IN); Stewart Guerin (LA); Dmitriy Valekha (MD); Vanessa Sullivan (ME); Judy Weaver (MI); Debbie Doggett (MO); Jackie Obusek and Monique Smith (NC); Patricia Gosselin (NH); Mark McLeod (NY); Dwight Radel and Tracy Snow (OH); Eli Snowbarger (OK); Melissa Greiner and Kimberly Rankin (PA); Jack Broccoli and John Tudino (RI); Johanna Nickelson (SD); Jake Garn (UT); Greg Chew, David Smith, and Doug Stolte (VA); Dan Petterson (VT); and John Jacobson (WA).

1. Discussed Comments Received on the Exposure of Affiliated Services Guidance

Mr. Schrader stated that the first agenda item for the call is to discuss comments received during the exposure of proposed revisions to the NAIC’s Financial Analysis Handbook (Analysis Handbook) and Financial Condition Examiners Handbook (Exam Handbook) to enhance guidance related to the review of affiliated service agreements. This issue was first brought to the Working Group based on discussions held during a meeting of the Chief Financial Regulator Forum in November 2020. During that meeting, the Forum discussed the growing prevalence of market-based expense allocations in affiliated service agreements and noted a need for some additional guidance or best practices in reviewing these agreements. Because it is important to ensure consistency and communication across the analysis and examination functions in reviewing and monitoring the impact of affiliated service agreements, the issue was referred to the Working Group, as opposed to being sent to the individual handbook groups.

Mr. Schrader stated that the referral provided some detail on existing guidance included in the Analysis Handbook on this topic. Such guidance already states, “compensation bases other than actual cost should be closely evaluated” and “insurers should not use related-party transactions as a method for transferring profits of the insurance company to an affiliate or related party.” However, the referral indicates that additional guidance, including best practices or illustrations to help analysts apply these standards, could be beneficial. In addition, the referral states that the Exam Handbook does not currently include any guidance on reviewing market-based expense allocations and only provides general guidance on reviewing affiliated service agreements.

Mr. Schrader stated that the referral was received by the Working Group earlier this year, and several members volunteered to develop some initial proposed guidance for the Working Group to consider. Volunteer states participating on the project include Connecticut, Idaho, Maine, North Carolina, Pennsylvania, Virginia, and Wisconsin. After being formed, the volunteer group met multiple times over a period of months to discuss the issues and develop proposed Analysis and Exam Handbook revisions for consideration, which were subsequently released for a 60-day public comment period that ended Oct. 29.

Ms. Malm provided an overview of the proposed revisions to both the Analysis Handbook and the Exam Handbook to enhance guidance related to the regulatory review of affiliated service agreements. Many of the changes to the Analysis Handbook are included in the Form D review procedures and related analyst reference guide. Ms. Malm stated that several of the changes were proposed to incorporate recent amendments to the Insurance Holding Company System Regulatory Act (#440) that were adopted by the NAIC in August 2021. Other changes were proposed to place greater emphasis on fair and reasonable considerations in reviewing affiliated services agreements, particularly those whose compensation is market-based. Changes to other sections of the Analysis Handbook include enhancements to ongoing operational risk review to monitor ongoing impacts of affiliated services and recommended discussion of affiliated service agreements in exam planning meetings. For the Exam Handbook, changes are proposed to three sections of guidance. General background information on affiliated services transactions is proposed for inclusion in the narrative guidance; revisions to possible risks, controls, and test procedures to be performed related to affiliated service agreements are included in the Related Party Exam Repository; and a discussion of affiliated service agreements was added to Exhibit D – Planning Meeting with the Financial Analyst.

Mr. Schrader stated that comment letters were received during the exposure period from the Hawaii Insurance Division, the Ohio Department of Insurance, the Medicaid Health Plans of America (MHPA), the Association for Behavioral Health and Wellness (ABHW), and a consolidated group of various other interested parties.
Mr. Bruggeman provided an overview of the Ohio comments on maintaining the importance of the Form D review and approval process by being careful not to discount that approval and constantly reevaluate it during ongoing examination activities. Instead, the focus of the exam should be in verifying that the services are following the approved terms and conditions and operating as intended. Mr. Bruggeman also discussed recommendations related to increased focus on market-based agreements and removing or not requiring language regarding a notice to the insurer that the agreement is subject to ongoing verification.

Keith Bell (Travelers) provided an overview of the comments submitted by a joint group of interested parties. He stated that any review of an approved service agreement after the fact should be limited to those agreements that are material and have the potential to result in a solvency or compliance concern. Such a review should be focused on whether the profit included in a market-based agreement was negotiated at arms-length, and he stated that companies often conduct detailed transfer pricing analysis before finalizing such transactions, which state insurance regulators may be able to utilize and leverage. In addition, any subsequent review conducted by the department should be initiated by and coordinated with the assigned financial analyst. Mr. Bell also stated that another comment in the letter was focused on clarifying language in the Exam Handbook regarding related party versus affiliate in referring to transactions and agreements. Finally, he encouraged the Working Group to allow interested parties to assist in any ongoing redrafting efforts.

Joe Zolecki (Blue Cross Blue Shield Association—BCBSA) thanked the Working Group for providing a 60-day exposure period at the request of interested parties to allow more time to review and accumulate comments. He stated that the Form D review guidance is viewed by the industry as a significant issue. As such, he asked the Working Group to defer adoption of any updated guidance until after the issues raised in the comment letter can be thoroughly discussed and addressed, and he requested that a collaborative drafting group of state insurance regulators and interested parties be formed to work on the project.

Ms. Weaver stated that limiting a review of affiliated party agreements to those that are material could be problematic, as subsequent agreements could be based on the terms of the initial, non-material agreement. Mr. McLeod asked the interested parties for their definition of material when it comes to affiliated services agreements. Mr. Bell stated that materiality considerations for affiliated service agreements should focus on the dollar impact of the services rendered under the agreement. He stated that with that in mind, existing definitions for materiality in NAIC guidance can be utilized to make that determination. Mr. Zolecki added that the financial analysis process has become much more risk-focused in nature in recent years, which should allow the analyst to direct any substantive review of affiliated service agreements on an ongoing basis.

Ms. Belfi stated that limiting the ongoing review of affiliated service agreements based upon materiality can become a slippery slope, as there is a lot of variation from one agreement to another. As such, state insurance regulators should be able to make their own determinations about which agreements are subject to ongoing review. Ms. Belfi also stated that the goal of developing additional guidance in this area is to promote more uniformity in the review and approval process across states, which would be beneficial to the industry. Therefore, if the industry can contribute to this process by presenting a methodology for evaluating the fairness and reasonableness of contract terms that is used consistently across the industry, it would be very valuable.

Mr. Schrader stated his agreement with the goal of driving more uniformity and consistency in state review, approval, and ongoing monitoring of affiliated service agreements, as they often use similar terms across states. He also stated his concerns with a strict materiality threshold that limits regulatory review options and his preference for listing materiality as a consideration. Mr. Bell stated that any materiality considerations applied to affiliated service agreements should be both qualitative and quantitative in nature to allow adequate flexibility.

Mr. Stolte stated that affiliated service agreements incorporating market-based compensation are generally not very transparent and are difficult to review and approve. This is often because rates are based on public sources of information on third-party rates and profits that may not be relevant to the services being rendered by the affiliate. In addition, it can be very difficult to unwind or revoke an agreement after it has been approved by the department, even if concerns are noted in an examination. Therefore, states should take care to ensure that the initial approval verifies that terms are fair and reasonable and are not functioning as an unapproved dividend to pull profits out of the insurer.

Mr. Schrader stated that based on the comments received and discussions held, the proposed guidance could benefit from additional clarifications. He stated his preference for asking the existing drafting group to work with volunteers from the interested parties to develop clarifications using the current draft as a starting point. Ms. Malm stated her agreement with this proposal. Ms. Weaver added her agreement with the proposal, and she recommended that the drafting group also research the legal process and authority across states to revoke regulatory approval of a Form D filing. Mr. Schrader stated his agreement
with this recommendation, and he asked NAIC staff to work with the drafting group and interested party volunteers to schedule a call to move forward on this project in early 2022.

2. **Adopted Updated Salary Ranges and Rates**

Mr. Schrader said the second item on the agenda is to consider adoption of updated salary ranges for analysts and examiners and legacy per diem rates for examiners. This task is the responsibility of the Working Group based on its charge to “[c]ontinually maintain and update standardized job descriptions/requirements and salary range recommendations for common solvency monitoring positions to assist insurance departments in attracting and maintaining suitable staff.”

Mr. Schrader stated that the recommended salary ranges for analysts and examiners were first added to NAIC handbooks in 2020 based on the research and recommendations of the Working Group. At that time, the Working Group committed to reviewing and updating the ranges as needed, with a minimum review period of every other year. In addition, legacy per diem examiner rates continue to be published in the Exam Handbook, which require annual review and updates.

Mr. Schrader stated that NAIC staff were asked to utilize existing industry resources to review general changes in salary rates over the last two years, as well as changes in the Consumer Price Index over the last year, to recommend updates to both the salary ranges and legacy per diem rates in the handbooks.

Bailey Henning (NAIC) presented the results of NAIC staff research in this area (Attachment XXX-A). NAIC staff obtained and reviewed the Robert Half Salary Guides for 2019–2021, which showed modest annual increases from 2019 to 2020 (2–4%), and minimal increases from 2020 to 2021 (1% or less). The total change for the period ranged from 4–8% depending on position and seniority. To recognize this variation in salary increases over the past two years, NAIC staff recommended adjusting the low end of the analyst/examiner salary ranges by 3% and the high end of the salary ranges by 6%.

Ms. Henning also summarized the work performed to recommend updates to the legacy per diem rate in the Exam Handbook. Based upon the current Consumer Price Index (CPI) data available (July 2020 – July 2021), the estimated annual change in the CPI was approximately 5.37%. However, economic experts have suggested that the current level of inflation, which is a key factor in the CPI, is primarily driven by temporary supply chain disruptions due to the ongoing impact of the COVID-19 pandemic and related economic conditions. As such, NAIC staff recommended a slightly lower increase of 4.5% to base per diem salary rates in all position classifications.

Mr. Eft made a motion, seconded by Ms. Bernard, to adopt the proposed salary ranges and per diem rates. The motion passed unanimously.

3. **Discussed Referral Received from Chief Financial Regulator Forum**

Mr. Schrader stated that the third agenda item is to discuss a referral that the Working Group recently received from the Chief Financial Regulator Forum resulting from discussions held in August. On that call, financial regulators discussed the need to update the standardized job descriptions for analyst and examiner positions maintained by the Working Group. The referral recommends that the job descriptions be updated to incorporate additional information on relevant educational backgrounds, as well as additional duties associated with new areas of financial regulation.

Mr. Schrader suggested the formation of a volunteer drafting group to review and propose updates to the job descriptions for Working Group consideration. Ms. Belfi and Ms. Rankin both offered their support for the recommendation, and they discussed the need to keep the job descriptions up to date to assist states in attracting and maintaining qualified staff. Mr. Schrader encouraged those states interested in volunteering for the project to contact NAIC staff.

4. **Discussed Other Matters**

Mr. Schrader stated that the Working Group has continued to oversee the NAIC’s Peer Review Project in 2021 by holding two virtual sessions in light of the ongoing pandemic. Twelve states participated in a virtual session for financial analysts in May, with six states participating in a virtual session for financial examiners in October. For 2022, the Working Group is hoping that in-person sessions can be held during the second half of the year. However, the Working Group is planning to schedule another virtual analysis session for January or February 2022 to take advantage of reduced workloads for financial analysts during this time of year.
Ms. Greiner asked whether another Own Risk and Solvency Assessment (ORSA) peer review session would be scheduled for 2022. Mr. Schrader stated that the Working Group is hoping to schedule another ORSA session in 2022, and those states previously scheduled to participate in the 2020 session that was cancelled would be given priority treatment for registration.

Having no further business, the Risk-Focused Surveillance (E) Working Group adjourned.

https://naiconline.sharepoint.com/sites/NAICSsupportStaffHub/Member Meetings/Fall 2021/Cmte/E/SurveillanceWG/SurveillanceWG 11-9-21 Minutes.docx
Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation

Mutual Recognition of Jurisdictions (E) Working Group
1. **Group Capital Calculation.** On December 9, 2020, the NAIC adopted revisions to the NAIC Insurance Holding Company System Regulatory Act (#440) and Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450). These revisions implement the Group Capital Calculation (GCC) filing requirements for insurance groups at the level of the ultimate controlling person for the purposes of evaluating solvency at the group level. The revisions specifically provide that the requirement to file the NAIC’s GCC applies to U.S.-based groups, while a group headquartered outside the U.S. is exempt from the GCC (subject to limited exceptions) if its group-wide supervisor “recognizes and accepts” the GCC for U.S. groups doing business in that jurisdiction. Likewise, a U.S. group subject to a group capital calculation specified by the Federal Reserve Board is exempt from the GCC. This process codifies the concepts of mutual recognition and one group/one group-wide supervisor.

2. **NAIC Listing Process.** Section 4L(2) of Model #440 provides two ways a non-U.S. jurisdiction may meet the standards for its insurance groups to be exempt from the GCC:

   (a) If the jurisdiction has been determined to be a Reciprocal Jurisdiction for purposes of credit for reinsurance, which includes a requirement that the jurisdiction “recognizes the U.S. state regulatory approach to group supervision and group capital”; or

   (b) If the jurisdiction has otherwise been determined to recognize and accept the GCC by procedures specified in regulation.

Jurisdictions meeting either of these criteria will be referred to informally as “‘Recognize and Accept’ Jurisdictions.” Sections 21D and 21E of Model #450 provide a general framework for how the process to identify “Recognize and Accept” Jurisdictions will work and specifically contemplates the development of a list of such jurisdictions through the NAIC Committee Process. The purpose of this document is to provide a documented evaluation process for creating and maintaining this list of jurisdictions that recognize and accept the GCC.

3. **Covered Agreements.** The “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” was

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1 Under Section 4L(2)(e) of Model #440, if the worldwide insurance operations of a non-U.S. group are exempt from the GCC, the group’s U.S. Lead State Commissioner may nevertheless require a GCC that is limited to the group’s U.S. operations if: “after any necessary consultation with other supervisors or officials, it is deemed appropriate by the lead state commissioner for prudential oversight and solvency monitoring purposes or for ensuring the competitiveness of the insurance marketplace.” A group’s exemption is also contingent on the group providing sufficient information to the lead state, directly or through the group-wide supervisor, sufficient to enable the lead state to comply with the group supervision approach set forth in the *NAIC Financial Analysis Handbook.*

2 Model #440, § 4L(2)(c).
signed on September 22, 2017. On December 18, 2018, a similar Covered Agreement was signed with the United Kingdom (UK) (collectively “Covered Agreements”). The Covered Agreements include, inter alia, the elimination of reinsurance collateral requirements for certain reinsurers licensed and domiciled in participating jurisdictions, and limit the worldwide application of prudential group insurance measures on insurance groups based in participating jurisdictions. In relevant part, the Covered Agreements provide that U.S. insurers and reinsurers can operate in the EU and UK without subjecting the U.S. parent to the host jurisdiction’s group-level governance, solvency and capital, and reporting requirements, and also provide the same protections for EU and UK insurers and reinsurers operating in the U.S. However, the Covered Agreements only exempt U.S., EU and UK insurance groups from each other’s worldwide group capital requirements if the home supervisor performs worldwide group capital assessments on its own insurance groups and has the authority to impose preventive and corrective measures.

4. **Reciprocal Jurisdictions.** In response to the Covered Agreements, the NAIC also amended the Credit for Reinsurance Model Law (#785) and Credit for Reinsurance Model Regulation (#786) to provide that jurisdictions that are subject to in-force covered agreements are considered to be “Reciprocal Jurisdictions,” and large, financially strong reinsurers that are based in those jurisdictions are not required to post reinsurance collateral. In addition, a “Qualified Jurisdiction” under Section 2E of Model #785 may become a Reciprocal Jurisdiction if, among other requirements, it “recognizes the U.S. state regulatory approach to group supervision and group capital.” By the terms of the Covered Agreements, insurance groups based in EU Member States and the UK are entitled to exemption from the extraterritorial application of the U.S. GCC, and Section 4L(2)(c) of Model #440 recognizes that other Reciprocal Jurisdictions, which have made the same commitment, are entitled to the same treatment.

5. **Other Jurisdictions that Recognize and Accept.** In addition, because most of the requirements for Reciprocal Jurisdiction status are not relevant to group capital and group supervision, Section 4L(2)(d) of Model #440 provides an alternative pathway for the exemption. The ultimate controlling person of an insurance holding company system whose non-U.S. group-wide supervisor is not in a Reciprocal Jurisdiction is exempted from filing the GCC as long as the jurisdiction of its group-wide supervisor “recognizes and accepts” the GCC, as specified by the commissioner in regulation. Section 21D of Model #450 provides that a non-U.S. jurisdiction is considered to “recognize and accept” the GCC if it satisfies all of the following criteria:

(a) The non-U.S. jurisdiction recognizes the U.S. state regulatory approach to group supervision and group capital, by providing confirmation by a competent regulatory authority, in such jurisdiction, that insurers and insurance groups whose lead state is accredited by the NAIC under the NAIC Accreditation Program shall be subject only
to worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, by the lead state and will not be subject to group supervision, including worldwide group governance, solvency and capital, and reporting, at the level of the worldwide parent undertaking of the insurance or reinsurance group by the non-U.S. jurisdiction;

(b) Where no U.S. insurance groups operate in the non-U.S. jurisdiction, that non-U.S. jurisdiction indicates formally in writing to the lead state with a copy to the International Association of Insurance Supervisors that the group capital calculation is an acceptable international capital standard. This will serve as the documentation otherwise required in Section 21D(1)(a);

(c) The non-U.S. jurisdiction provides confirmation by a competent regulatory authority in such jurisdiction that information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the lead state commissioner in accordance with a memorandum of understanding or similar document between the commissioner and such jurisdiction, including but not limited to the International Association of Insurance Supervisors Multilateral Memorandum of Understanding or other multilateral memoranda of understanding coordinated by the NAIC. The commissioner shall determine, in consultation with the NAIC Committee Process, if the requirements of the information sharing agreements are in force;

(d) Notwithstanding these exemptions, Section 4L(2)(e) of Model #440 provides that a lead state commissioner shall require the group capital calculation for U.S. operations of any non-U.S. based insurance holding company system from a Reciprocal Jurisdiction or “Recognize and Accept” Jurisdiction where, after any necessary consultation with other supervisors or officials, it is deemed appropriate by the commissioner for prudential oversight and solvency monitoring purposes or for ensuring the competitiveness of the insurance marketplace. Section 21E(1) of Model #450 then provides that to assist with a determination under Section 4L(2)(e) of Model #440, the list will also identify whether a jurisdiction that is exempted under either Sections 4L(2)(c) or 4L(2)(d) requires a group capital filing for any U.S.-based insurance group’s operations in that non-U.S. jurisdiction.

6. **Mutual Recognition of Jurisdictions (E) Working Group.** On March 8, 2021, the Financial Condition (E) Committee repositioned the Qualified Jurisdiction (E) Working Group to report directly to the Committee and revised the name of the group to the Mutual Recognition of Jurisdictions (E) Working Group. The Working Group received the additional charge of developing a process for evaluating jurisdictions that meet the NAIC requirements for recognizing and accepting the GCC (“Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation,” or “Recognize and Accept” Process). A separate
process exists for evaluating Qualified and Reciprocal Jurisdictions ("Process for Evaluating Qualified and Reciprocal Jurisdictions"), and it is intended that the “Recognize and Accept” Process will closely mirror this process. The Committee charged this Working Group with developing and implementing the “Recognize and Accept” Process due to this Working Group’s experience and expertise in evaluating the insurance regulatory systems of non-U.S. jurisdictions and their recognition of U.S. group-wide supervision.

7. **List of Jurisdictions that Recognize and Accept the GCC.** The Mutual Recognition of Jurisdictions (E) Working Group will evaluate non-U.S. jurisdictions in accordance with this “Recognize and Accept” Process. A list of “Recognize and Accept” Jurisdictions is published through the NAIC committee process ("NAIC List of Jurisdictions that Recognize and Accept the Group Capital Calculation"; “‘Recognize and Accept’ List”; or “List”). The creation of the List does not constitute a delegation of regulatory authority to the NAIC. Although a state must consider this List under Section 21E(3) of Model #450 in its determination of whether a non-U.S. insurance group is exempt from filing an annual GCC, the List is not binding and the ultimate authority to designate a “Recognize and Accept” Jurisdiction resides solely in each state.

    (a) The List will include all Reciprocal Jurisdictions that recognize the U.S. state regulatory approach to group supervision and group capital. [See discussion in paragraph 9.]

    (b) The evaluation of non-U.S. jurisdictions that are non-Reciprocal Jurisdictions as “Recognize and Accept” Jurisdictions will be conducted in accordance with the provisions of Section 4L(2) of Model #440 and Section 21 of Model #450, and any other relevant guidance developed by the NAIC. [see discussion in paragraphs 10 and 11.]

    (c) As specified in Section 21E(1) of Model #450, the List will also identify which “Recognize and Accept” Jurisdictions require a group capital filing for a U.S.-based insurance group’s operations in that jurisdiction. [See discussion of Subgroup Capital Calculation in paragraph 13.]

    (d) Upon final inclusion of a jurisdiction on the List, any confidential documents reviewed by the Mutual Recognition of Jurisdictions (E) Working Group in its evaluation of the jurisdiction will be made available to individual U.S. state insurance regulators upon request and confirmation that the information contained therein will remain confidential. The NAIC will maintain the List on its public website and in other appropriate NAIC publications.

    (e) If a non-US group’s lead state exempts the group from the GCC, and the group-wide
supervisor is based in a jurisdiction that is not on the “Recognize and Accept” List, the state must thoroughly document the justification for the exemption.

8. Procedure for Evaluation of Non-U.S. Jurisdictions. In undertaking the evaluation of a non-U.S. Jurisdiction for inclusion on the “Recognize and Accept” List, the Mutual Recognition of Jurisdictions (E) Working Group shall utilize similar processes and procedures to those outlined in the Process for Evaluating Qualified and Reciprocal Jurisdictions. Specifically, the Working Group will undertake the following procedure in making its evaluation:

(a) Initiation of Evaluation. Formal notification of the Mutual Recognition of Jurisdictions (E) Working Group’s intent to initiate the evaluation process will be sent by the NAIC to the supervisory authority in the jurisdiction selected. The process of evaluation and all related documentation are private and confidential matters between the NAIC and the applicant jurisdiction, unless otherwise provided in this document. Upon receipt of confirmation by a competent regulatory authority of the non-U.S. jurisdiction, the Mutual Recognition of Jurisdictions (E) Working Group:

i. Will direct NAIC staff and/or outside consultants with the appropriate knowledge, experience and expertise to review the materials received from the jurisdiction. Upon completing its review of the evaluation materials, the internal reviewer(s) will report initial findings to the Mutual Recognition of Jurisdictions (E) Working Group, including any significant issues or concerns identified. This report will be included as part of the official documentation of the evaluation. Copies of the initial findings may also be made available to the Federal Insurance Office (FIO) and other relevant federal authorities subject to appropriate confidentiality and information-sharing agreements being in place.

ii. Will issue public notice on the NAIC website inviting public comments with respect to consideration of the jurisdiction as a “Recognize and Accept” Jurisdiction.

iii. Will consider public comments from state regulators, U.S. insurance groups, and any other interested parties.

iv. May review other public materials deemed relevant to making a determination.

v. Will invite each non-U.S. jurisdiction, or its designee, to provide any additional information it deems relevant to making a determination.

vi. Relevant U.S. state and federal authorities will be notified of the Mutual Recognition of Jurisdictions (E) Working Group’s decision to evaluate a
jurisdiction.

(b) Preliminary Evaluation Report. NAIC staff will prepare a Preliminary Evaluation Report for review by the Mutual Recognition of Jurisdictions (E) Working Group. The report will contain a recommendation as to whether the NAIC should recognize the jurisdiction as a “Recognize and Accept” Jurisdiction. Upon review by the Working Group, the results of the Preliminary Evaluation Report will be immediately communicated in written form to the supervisory authority of the jurisdiction under review. At that time, a copy of the Preliminary Evaluation Report will also be shared with the Group Capital Calculation (E) Working Group in regulator-to-regulator session. The Group Capital Calculation (E) Working Group will also be kept advised of any new developments in the evaluation of this jurisdiction.

(c) Final Evaluation Report. Upon receipt of the Preliminary Evaluation Report, the supervisory authority will have an opportunity to respond to the initial findings and determination. The Mutual Recognition of Jurisdictions (E) Working Group will consider any response, and will proceed to prepare its Final Evaluation Report. The Working Group will consider the Final Evaluation Report for approval in regulator-to-regulator session.

(d) Summary of Findings and Determination. Upon approval of the Final Evaluation Report, the Mutual Recognition of Jurisdictions (E) Working Group will issue a public statement and a summary of its findings with respect to its determination. At this time, the Working Group will release the Summary of Findings and Determination for public comment. Once the Working Group has finally adopted the Summary of Findings and Determination in open session after opportunity for public comment, it will submit the summary of its findings and its recommendation to the Financial Condition (E) Committee at an open meeting. Upon approval by the Committee, the summary and recommendation will be submitted to the Executive (EX) Committee and Plenary, as well as to the Federal Insurance Office (FIO), United States Trade Representative (USTR) and other relevant federal authorities for informational purposes. Upon approval as a “Recognize and Accept” Jurisdiction by the Executive (EX) Committee and Plenary, the jurisdiction will be added to the NAIC List of Jurisdictions that Recognize and Accept the Group Capital Calculation.

9. Evaluation of Reciprocal Jurisdictions. Under Section 4L(2)(c) of Model #440, Reciprocal Jurisdictions that recognize the U.S. state regulatory approach to group supervision and group capital are exempt from the GCC. Because a “recognize and accept” evaluation by the Mutual Recognition of Jurisdictions (E) Working Group is already part of the Reciprocal Jurisdiction review process, all Reciprocal Jurisdictions designated by the NAIC through that review process are also automatically designated as “Recognize and Accept” Jurisdictions. Likewise,
in view of the terms of the EU and UK Covered Agreements, all EU Member States and the
UK are automatically designated “Recognize and Accept” Jurisdictions. If there is a material
change to the terms of the U.S.-EU or U.S.-UK Covered Agreement, or if the United States
enters into a new covered agreement with one or more non-U.S. jurisdictions, the Mutual
Recognition of Jurisdictions (E) Working Group will consider, and will consult with FIO and
USTR regarding, whether and how the applicability of the procedures in this document may
apply

Under Section 21D(1)(a) of Model #450, a non-Reciprocal Jurisdiction, in which a U.S.
insurance group has operations, that recognizes the U.S. state regulatory approach to group
supervision and group capital may be included on the NAIC “Recognize and Accept” List. The
Mutual Recognition of Jurisdictions (E) Working Group may rely on written confirmation by
a competent regulatory authority in that jurisdiction that insurers and insurance groups whose
lead state is accredited by the NAIC under the NAIC Accreditation Program shall be subject
only to worldwide prudential insurance group supervision including worldwide group
governance, solvency and capital, and reporting, as applicable, by the lead state and will not
be subject to group supervision, including worldwide group governance, solvency and capital,
and reporting, at the level of the worldwide parent undertaking of the insurance or reinsur-
group by the non-U.S. jurisdiction.

(a) The Mutual Recognition of Jurisdictions (E) Working Group will perform a due
diligence review of available public and confidential documents to confirm that to the
best of its determination the representations in the written confirmation are true and
accurate.

(b) The jurisdiction must also have an acceptable Memorandum of Understanding to be
included on the “Recognize and Accept” List, as described in paragraph 12 of this
Process.

(c) NAIC staff will work with the Mutual Recognition of Jurisdictions (E) Working Group
and the applicant jurisdiction to prepare an acceptable confirmation letter for this
purpose. The NAIC will publish a form letter in the Appendix: Letter Templates that a
competent regulatory authority of a non-U.S. jurisdiction may use to provide
confirmation pursuant to Section 21D(1)(a), Section 21D(1)(b) and 21D(2) of Model
#450 as well as a template letter that any “Recognize and Accept” Jurisdiction,
including a Reciprocal Jurisdiction, may use to provide confirmation, pursuant to
Section 21(E)(1) of Model #450, as to whether or not it requires a group capital filing
for any U.S. based insurance group’s operations. NAIC Staff will work with the
jurisdiction to modify these forms if necessary for a particular jurisdiction.

Because the GCC embraces and encourages the concepts of mutual recognition and one group/one group-wide supervisor, a non-U.S. jurisdiction may be included on the “Recognize and Accept” List, enabling its insurance groups to do business in the U.S. without being subject to U.S. group-wide supervision, even if no U.S. groups operate in that jurisdiction. Under Section 21D(1)(b) of Model #450, such a jurisdiction must document its recognition and acceptance by indicating formally in writing to the lead state of each of its insurance groups doing business in the U.S., with a copy to the International Association of Insurance Supervisors (IAIS), that the GCC is an acceptable international capital standard. The Mutual Recognition of Jurisdictions (E) Working Group may rely on written confirmation by a competent regulatory authority in that jurisdiction.

(a) The Mutual Recognition of Jurisdictions (E) Working Group will perform a due diligence review of available public and confidential documents to confirm that, to the best of its determination, the representations in the written confirmation are true and accurate.

(b) The jurisdiction must also have an acceptable Memorandum of Understanding to be included on the “Recognize and Accept” List, as described in paragraph 12 of this Process.

(c) NAIC staff will work with the Mutual Recognition of Jurisdictions (E) Working Group and the applicant jurisdiction to prepare an acceptable confirmation letter for this purpose.

12. Memorandum of Understanding. Section 21D(2) of Model #450 requires a non-Reciprocal Jurisdiction that “recognizes and accepts” the GCC to provide confirmation by a competent regulatory authority that information regarding insurers, and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the lead state commissioner of any U.S.-based insurance group doing business in that jurisdiction, in accordance with a memorandum of understanding or similar document between the commissioner and the jurisdiction. Acceptable MOUs include, but are not limited to, the International Association of Insurance Supervisors Multilateral Memorandum of Understanding (“IAIS MMOU”) or other multilateral memoranda of understanding coordinated by the NAIC. The Mutual Recognition of Jurisdictions (E) Working Group will review such memoranda of understanding and include an opinion in the Summary of Findings and Determination as to whether the jurisdiction has met this condition to be included on the “Recognize and Accept” List.

(a) The lead state will act as a conduit for information between the “Recognize and Accept” Jurisdiction and other states that have an insurer from that jurisdiction, and will share information with these states consistent with the terms governing the further sharing of
information included in the applicable MOU, and pursuant to the NAIC Master Information Sharing and Confidentiality Agreement. The jurisdiction must also confirm in writing that it is willing to permit this lead state to act as the contact for purposes of sharing information concerning all insurers within the group.

(b) If a jurisdiction has not been approved by the IAIS as a signatory to the MMoU, it must either (1) enter into an MOU with the lead state, or (2) enter into an MOU with a state that has agreed to serve as a single point of contact for multiple lead states, similar to the procedure for sharing information under the *Process for Evaluating Qualified and Reciprocal Jurisdictions*. The MOU must also provide for appropriate confidentiality safeguards with respect to the information shared among the jurisdictions.

(c) The same requirements and procedures will apply to a Reciprocal Jurisdiction that is subject to a case-by-case “recognize and accept” review, unless the necessary information-sharing procedures are already specified in the applicable covered agreement.

13. **Prudential Oversight and Solvency Monitoring.** Section 4L(2)(e) of Model #440 directs a lead state commissioner to require the group capital calculation for U.S. operations of any non-U.S. based insurance holding company system based in a “Recognize and Accept” Jurisdiction if, after any necessary consultation with other supervisors or officials, the commissioner deems such a “subgroup” calculation to be appropriate for prudential oversight and solvency monitoring purposes or for ensuring the competitiveness of the insurance marketplace. Section 21E(1) of Model #450 provides that to assist with such a determination, the “Recognize and Accept” List will also identify whether a listed jurisdiction requires a group capital filing for any U.S. based insurance group’s operations in that jurisdiction. As part of Paragraph 8, *Procedure for Evaluation of Non-U.S. Jurisdiction*, the Mutual Recognition of Jurisdictions (E) Working Group will perform a due diligence review of available public and confidential documents to confirm whether or not any “Recognize and Accept” Jurisdiction requires a subgroup group capital filing for a U.S.-based insurance group’s operations, and a discussion and findings on this review will be included in the Preliminary Evaluation Report, Final Evaluation Report and Summary of Findings and Determination. If the Working Group has evidence indicating that a jurisdiction requires a subgroup group capital filing for any U.S.-based insurance group’s operations in that jurisdiction, it will attempt to obtain written confirmation of the existence and scope of any such requirement from a competent regulatory authority in that jurisdiction, but it is recognized that such a confirmation is not an essential element of the Working Group’s determination. The NAIC will identify such jurisdictions on the “Recognize and Accept” List, and may include an explanatory note in cases where a simple “Yes” or “No” response does not adequately describe the jurisdiction’s requirements. States may rely on this List when making determinations under Section 4L(2)(e) of Model #440.
14. **Process for Periodic Evaluation.** The process for determining whether a non-U.S. jurisdiction is a “Recognize and Accept” Jurisdiction is ongoing and subject to periodic review. The Mutual Recognition of Jurisdictions (E) Working Group will perform a yearly review of the NAIC List of Jurisdictions that Recognize and Accept the Group Capital Calculation to determine whether there have been any significant changes over the prior year that might affect inclusion on the List. This yearly review shall follow such abbreviated process as may be determined by the Working Group to be appropriate.

(a) Upon determination by a lead state commissioner that a non-U.S. jurisdiction no longer meets one or more of the requirements to “recognize and accept” the GCC, the lead state commissioner may provide a recommendation to the Working Group that the jurisdiction be removed from the “Recognize and Accept” List. Upon review and after consultation with the “Recognize and Accept” Jurisdiction, the Working Group may remove the jurisdiction from the List, which must then be confirmed by the Financial Condition (E) Committee and the NAIC Executive (EX) Committee and Plenary.

(b) Upon determination by a lead state commissioner that a non-U.S. jurisdiction requires a group capital filing for any U.S. based insurance group’s operations in that non-U.S. jurisdiction, the lead state commissioner may provide a recommendation to the Working Group that the non-U.S. jurisdiction be identified as such on the “Recognize and Accept” List. Upon receipt of any such notice, the Mutual Recognition of Jurisdictions (E) Working Group will also consider whether it is necessary to re-evaluate the jurisdiction’s “Recognize and Accept” status.

(c) The Mutual Recognition of Jurisdictions (E) Working Group will also give due consideration to any notice from a U.S.-based insurance group that it has been required to perform a group capital calculation, at either the group-wide or subgroup level, in a jurisdiction on the “Recognize and Accept” List.

(d) If a jurisdiction referred for re-evaluation under this Paragraph is a Reciprocal Jurisdiction, the Mutual Recognition of Jurisdictions (E) Working Group shall conduct a concurrent review of the jurisdiction’s continuing status as a Reciprocal Jurisdiction, or, in the case of a jurisdiction entitled to that status by virtue of a covered agreement, shall refer the matter to the Reinsurance (E) Task Force for further discussion and communication with appropriate federal and/or international authorities, in accordance with the *Process for Evaluating Qualified and Reciprocal Jurisdictions.*
Appendix: Letter Templates

Paragraph 10(c) of the Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation provides that the NAIC will publish a form letter that a competent regulatory authority of a non-U.S. jurisdiction that is not a Reciprocal Jurisdiction may use to provide confirmation pursuant to Section 21(D)(1)(a), Section 21(D)(1)(b) and 21(D)(2) of the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450), as well as a template letter that any “Recognize and Accept” Jurisdiction, including a Reciprocal Jurisdiction, may use to provide confirmation, pursuant to Section 21(E)(1) of Model #450, as to whether or not it requires a group capital filing for any U.S. based insurance group’s operations. The following template letters are designed to satisfy these requirements:

A. Jurisdictions with U.S. Insurance Group Operations. In order to satisfy the requirements of Sections 21D(1)(a) and 21D(2) of Model #450, the competent regulatory authority of a non-U.S. Jurisdiction in which U.S. insurance groups operate shall provide the NAIC with a written letter, confirming, as follows:

As the competent regulatory authority for [non-U.S. Jurisdiction], I hereby confirm to the National Association of Insurance Commissioners (NAIC) and the chief insurance regulators of the 50 states, the District of Columbia and five U.S. territories the following:

- [Non-U.S. Jurisdiction] recognizes the U.S. state regulatory approach to group supervision and group capital, and confirms that insurers and insurance groups whose lead state is accredited by the NAIC under the NAIC Accreditation Program shall be subject only to worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, by the lead state and will not be subject to group supervision, including worldwide group governance, solvency and capital, and reporting, at the level of the worldwide parent undertaking of the insurance or reinsurance group by the non-U.S. jurisdiction;

- Information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to a lead state commissioner in accordance with a memorandum of understanding or similar document between the commissioner and [non-U.S.Jurisdiction], including but not limited to the International Association of Insurance Supervisors Multilateral Memorandum of Understanding or other multilateral memoranda of understanding coordinated by the NAIC.

- [Non-U.S. Jurisdiction] will immediately notify the NAIC upon any changes to the assurances provided in this letter.
B. Jurisdictions with No U.S. Insurance Group Operations. In order to satisfy the requirements of Sections 21D(1)(b) and 21D(2) of Model #450, the competent regulatory authority of a non-U.S. Jurisdiction in which no U.S. insurance groups operate shall provide the NAIC with a written letter, confirming, as follows:

As the competent regulatory authority and lead insurance regulatory supervisor for [non-U.S. Jurisdiction], I hereby confirm to the National Association of Insurance Commissioners (NAIC) and the chief insurance regulators of the 50 states, the District of Columbia and five U.S. territories, with a copy to the International Association of Insurance Supervisors (IAIS), the following:

- [Non-U.S. Jurisdiction] recognizes the Group Capital Calculation as defined under Section 4L(2) of the NAIC Insurance Holding Company System Regulatory Act (#440) as an acceptable international capital standard.

- Information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to a lead state commissioner in accordance with a memorandum of understanding or similar document between the commissioner and [non-U.S. Jurisdiction], including but not limited to the International Association of Insurance Supervisors Multilateral Memorandum of Understanding or other multilateral memoranda of understanding coordinated by the NAIC.

- [Non-U.S. Jurisdiction] will immediately notify the NAIC upon any changes to the assurances provided in this letter.

C. Jurisdictions with Subgroup Capital Requirements. Paragraph 13 of the Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation provides that the Mutual Recognition of Jurisdictions (E) Working Group will attempt to obtain written confirmation from a competent regulatory authority in any jurisdiction where the Working Group has evidence indicating that the jurisdiction requires a subgroup group capital filing for any U.S. based insurance group’s operations in that jurisdiction. The NAIC will identify such jurisdictions on the “Recognize and Accept” List, and will provide an explanation and discussion on such determination in its Summary of Findings and Determination. States may rely on this List when making determinations under Section 4L(2)(e) of Model #440.
ReFAWG Review Process for Passporting Certified and Reciprocal Jurisdiction Reinsurers

Reinsurance Financial Analysis (E) Working Group
1. **ReFAWG Review Process**

The Reinsurance Financial Analysis (E) Working Group (ReFAWG) normally operates in Executive Session, in accordance with the *NAIC Policy Statement on Open Meetings* and in open session when addressing policy issues. The authority of the Working Group is limited to that of an advisory body. This authority is derived from the 2011 *Preface to Credit for Reinsurance Models*, which provided that the purpose of the Working Group is “to provide advisory support and assistance to states in the review of reinsurance collateral reduction applications. Such a process with respect to the review of applications for reinsurance collateral reduction and qualified jurisdictions should strengthen state regulation and prevent regulatory arbitrage.”

a. In November 2011, the NAIC adopted revisions to its *Credit for Reinsurance Model Law (#785)* and *Credit for Reinsurance Model Regulation (#786)* which reduce the prior reinsurance collateral requirements for non-U.S. licensed reinsurers that are licensed and domiciled in Qualified Jurisdictions and establish a certification process for reinsurers under which a Certified Reinsurer is eligible for collateral reduction with respect to contracts entered into or renewed subsequent to certification. The authority to issue individual ratings of certified reinsurers is reserved to the NAIC member jurisdictions under their respective statutes and regulations. While this forum is intended to strengthen state regulation and prevent regulatory arbitrage, it is not within the authority of the Working Group to assign collateral requirements for individual reinsurers.

b. On June 25, 2019, the NAIC adopted further revisions to the models, which implement the reinsurance collateral provisions of the Covered Agreements with the European Union (EU) and the United Kingdom (UK). The revisions eliminate reinsurance collateral requirements and local presence requirements for EU and UK reinsurers that maintain a minimum amount of own-funds equivalent to $250 million USD and a solvency capital requirement (SCR) of 100% under Solvency II. The revisions also incorporate the “Reciprocal Jurisdiction” concept. Reciprocal Jurisdiction status is afforded to (1) jurisdictions subject to an in-force Covered Agreement within the U.S.; (2) accredited U.S. jurisdictions; and (3) Qualified Jurisdictions if they meet certain requirements in the credit for reinsurance models. ReFAWG has also been given additional responsibilities with respect to these “Reciprocal Jurisdiction Reinsurers.” ReFAWG will coordinate its efforts with the Mutual Recognition of Jurisdictions (E) Working Group (formerly known as the Qualified Jurisdictions (E) Working Group).

c. Issues upon which the Working Group may provide advisory support and assistance include but are not limited to:

   i. Provide advisory support and assistance to states in the review of reinsurance collateral reduction applications. Such a process with respect to the review of applications for
reinsurance collateral reduction and qualified jurisdictions should strengthen state regulation and prevent regulatory arbitrage.

ii. Provide a forum for discussion, among NAIC jurisdictions, of reinsurance issues related to specific companies, entities or individuals.

iii. Support, encourage, promote and coordinate multi-state efforts in addressing issues related to certified reinsurers, including but not limited to multi-state recognition of certified reinsurers.

iv. Provide analytical expertise and support to the states with respect to certified reinsurers and applicants for certification.

v. Interact with domiciliary regulators of ceding insurers and certifying states to assist and advise on the most appropriate regulatory strategies, methods and actions with respect to certified reinsurers.

vi. Provide advisory support with respect to issues related to the determination of qualified jurisdictions.

vii. Ensure the public passporting website remains current.

viii. For reinsurers domiciled in Reciprocal Jurisdictions, determine the best and most effective approaches for the financial solvency surveillance to assist the states in their work to protect the interests of policyholders.

2. Lead States and Passporting Process

a. A reinsurer seeking recognition as either a Certified Reinsurer or a Reciprocal Jurisdiction Reinsurer must submit certain information to each state in which it seeks such recognition. A reinsurer may decide to make a filing with a Lead State and use the NAIC Passporting process to facilitate multi-state recognition or a reinsurer may decide to submit the information to each state as a separate application. Under the ReFAWG Review Process, ReFAWG will assist the states with the initial review of this information and provide guidance to the states in making their review of the reinsurer to determine whether it has met the regulatory requirements to be recognized as a Certified Reinsurer and/or a Reciprocal Jurisdiction Reinsurer.

b. Passporting for Certified Reinsurers - In addition to this assistance to individual states, ReFAWG will also assist with a passporting process for the states. “Passporting” refers to the process under which a state has the discretion to defer to the certification of a reinsurer (and the rating assigned to that certified reinsurer) by another state. Under this process, a reinsurer will apply to an initial state for certification, referred to as the “Lead State,” which will begin its analysis of the reinsurer and notify ReFAWG of the application. The Lead State will complete its initial analysis and will submit filing information and other documentation to ReFAWG for a peer review. Upon completion of the confidential peer review process, ReFAWG will make its recommendation concerning both the certified status of the reinsurer and its rating. The Lead State then makes the final determination regarding certification, upon which the Lead State notifies ReFAWG and the certified reinsurer is eligible to apply for passporting into other states. States are encouraged to utilize the passporting process to reduce the amount of documentation filed with the states and reduce duplicate filings.
c. **Passporting for Reciprocal Jurisdiction Reinsurers** - A similar Passporting Process is in place with respect to Reciprocal Jurisdiction Reinsurers as outlined in Sections 5 and 6 below. In order to facilitate multi-state recognition of assuming insurers and to encourage uniformity among the states, the NAIC has initiated a process called “passporting” under which the commissioner has the discretion to defer to another state’s determination with respect to compliance with this section. Passporting is based upon individual state regulatory authority, and states are encouraged to act in a uniform manner in order to facilitate the passporting process. States are also encouraged to utilize the passporting process to reduce the amount of documentation filed with the states and reduce duplicate filings.

d. **Discretion to Defer to Lead State** - If an NAIC accredited jurisdiction has determined that the conditions set forth for recognition as a Reciprocal Jurisdiction Reinsurer have been met, the commissioner of any other state has the discretion to defer to that jurisdiction’s determination and add such assuming insurer to the list of assuming insurers to which cessions shall be granted credit. The commissioner may accept financial documentation filed with the Lead State or with the NAIC and is encouraged to support a uniform submission and approval process among the states of the NAIC. ReFAWG and the Mutual Recognition of Jurisdictions (E) Working Group will coordinate efforts to obtain financial information regarding both Certified Reinsurers and Reciprocal Jurisdiction Reinsurers and disseminate it to the states.

e. **Communication with ReFAWG** - The ReFAWG Review Process is designed to facilitate communication of relevant information with respect to individual reinsurers or reinsurance related issues by allowing interested state insurance regulators the opportunity to monitor the ReFAWG meetings and discussion. It should be noted that the process for engaging ReFAWG in the consideration of an application is intended to be flexible. Specific circumstances may necessitate discussion between ReFAWG and any states that have received any application in order to determine an appropriate lead state on a case-by-case basis.

f. **Change of Lead State** - The Lead State for a Certified Reinsurer and/or a Reciprocal Jurisdiction Reinsurer may change based upon mutual agreement between the current lead state and any other state where the reinsurer is recognized, with input to be provided by ReFAWG. Upon a change in lead state, NAIC staff will provide timely notification to all states. In order to facilitate a change of lead state from one state to another, both states should discuss the rationale for the change during a regulator-only ReFAWG meeting. NAIC Staff will update the lead state and note such change on NAIC systems and send notice to ReFAWG and interested regulators.

3. **ReFAWG Review Process for Certified Reinsurers**

ReFAWG makes available to the states a *Uniform Application Checklist for Certified Reinsurers* (Exhibit 1) for certification of reinsurers based upon the requirements of the Credit for Reinsurance Model Law and Regulation. It is intended that the checklist be used by lead states for the initial/renewal application review and by ReFAWG in its review of Passporting requests.
The following timeline applies to these filings:

<table>
<thead>
<tr>
<th>Timeline Event</th>
<th>Required Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Documents Filed with Lead State</td>
<td>June 30</td>
</tr>
<tr>
<td>Required Passporting Documents Uploaded to NAIC ReFAWG Database</td>
<td>August 31</td>
</tr>
<tr>
<td>NAIC Staff Re-Certification Review Process and Conference Calls</td>
<td>September 1 – November 30</td>
</tr>
<tr>
<td>All Passporting Re-Certifications Completed</td>
<td>December 1</td>
</tr>
<tr>
<td>Effective Date of Passporting Re-Certification</td>
<td>1/1/xx to 12/31/xx (Next Calendar Year)</td>
</tr>
<tr>
<td>Applications for Passporting</td>
<td>1/1/xx to 12/31/xx</td>
</tr>
</tbody>
</table>

In order to be eligible for certification, the assuming insurer shall meet the following requirements:

a. **Qualified Jurisdiction** - The assuming insurer must be domiciled and licensed to transact insurance or reinsurance in a Qualified Jurisdiction. The applicant must be in good standing and provide a copy of the certificate of authority or license to transact insurance and/or reinsurance business.

b. **Capital and Surplus** - The assuming insurer must maintain capital and surplus of no less than $250,000,000 as reported within its audited financial statement. This requirement may also be satisfied by an association including incorporated and individual unincorporated underwriters having minimum capital and surplus equivalents (net of liabilities) of at least $250,000,000 and a central fund containing a balance of at least $250,000,000.

c. **Financial Strength Ratings** - The assuming insurer must maintain financial strength ratings from two or more rating agencies deemed acceptable by the commissioner. These ratings shall be based on interactive communication between the rating agency and the assuming insurer and shall not be based solely on publicly available information. The applicant must provide the rating agency report. If the rating is a group rating, the rationale for the group rating must be provided. Initial or Affirmed financial strength rating dates must be within 15 months of the application date/renewal filing date. Acceptable rating agencies include: A.M. Best, Fitch Ratings, Moody’s, Standard & Poor’s or any other Nationally Recognized Statistical Rating Organization by the SEC. *Kroll is not recognized as an acceptable rating organization in Model #786 but has been recognized as an acceptable rating organization by the Reinsurance (E) Task Force.*
d. The following table outlines the necessary ratings needed to meet a secure level:

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Collateral Required</th>
<th>A.M. Best</th>
<th>Standard &amp; Poor’s</th>
<th>Moody’s</th>
<th>Fitch</th>
<th>Kroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secure – 1</td>
<td>0%</td>
<td>A++</td>
<td>AAA</td>
<td>Aaa</td>
<td>AAA</td>
<td>AAA</td>
</tr>
<tr>
<td>Secure – 2</td>
<td>10%</td>
<td>A+</td>
<td>AA+, AA, AA-</td>
<td>Aa1, Aa2, Aa3</td>
<td>AA+, AA, AA-</td>
<td>AA+, AA, AA-</td>
</tr>
<tr>
<td>Secure – 3</td>
<td>20%</td>
<td>A</td>
<td>A+, A</td>
<td>A1, A2</td>
<td>A+, A</td>
<td>A+, A</td>
</tr>
<tr>
<td>Secure – 4</td>
<td>50%</td>
<td>A-</td>
<td>A-</td>
<td>A3</td>
<td>A-</td>
<td>A-</td>
</tr>
<tr>
<td>Secure – 5</td>
<td>75%</td>
<td>B++, B+</td>
<td>BBB+, BBB, BBB-</td>
<td>Baa1, Baa2, Baa3</td>
<td>BBB+, BBB, BBB-</td>
<td>BBB+, BBB, BBB-</td>
</tr>
<tr>
<td>Vulnerable – 6</td>
<td>100%</td>
<td>B, B-C++, C+, C, C-, D, E, F</td>
<td>BB+, BB, BB, B+, B, B-, CCC, CC, C, D, R</td>
<td>Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C</td>
<td>BB+, BB, BB, B+, B, B-, CCC, CC, CCC-, DD</td>
<td>BB+, BB, BB-</td>
</tr>
</tbody>
</table>


e. **Protocol for Considering a Group Rating** - Section 8B(4) of the *Credit for Reinsurance Model Regulation (#786)* provides, in relevant part: “Each certified reinsurer shall be rated on a legal entity basis, with due consideration being given to the group rating where appropriate....” Understanding the rating agency basis for utilizing a group rating is a key factor in determining whether an applicant’s group rating may be considered appropriate. The recommended protocol for understanding the rationale involves one or more of the following protocol steps:

i. For reasons set forth in the rating agency report or its published ratings standards or guidelines, the rating agency utilizes the group rating as a consequence of finding that the company had sufficient interconnectivity with the group;

ii. For reasons set forth in the rating agency report or its published ratings standards or guidelines, the rating agency enhances the group rating due to the subsidiary’s potential benefit of capital support from one or more affiliated companies;

iii. The group rating was utilized because the subsidiary derives benefit from its inclusion within a financially strong and well-capitalized insurance group;
iv. The lead state has contacted the rating agency and was provided a written explanation for
the use of the group rating;

v. Other factors deemed appropriate by the Reinsurance Financial Analysis (E) Working
Group; or

vi. To assist the Lead State in the assessment of the appropriateness of the use of a group
rating, applicants are encouraged to provide their rational for the use of a group rating.

f. Changes in Ratings

Section 8(B)(7)(a) of Model #786 provides that a certified reinsurer is required to notify the
Commissioner of a certifying state within 10 days of any regulatory actions taken against the
certified reinsurer, any change in the provisions of its domiciliary license or any change in rating
by an approved rating agency, including a statement describing such changes and the reasons. The
certified reinsurer may also fulfill this requirement by notifying its Lead State commissioner, with
this information being distributed to other certifying states by the NAIC through the ReFAWG
process. Upon receipt of any such notification, a certifying state should immediately notify
ReFAWG in order to facilitate communication of the information to other states. ReFAWG will
subsequently send notification to all applicable regulators and may coordinate an interim meeting
as deemed appropriate in order to discuss the issue(s).

Changes requiring action by a certifying state in accordance with statute and/or regulation may
include but are not limited to: deterioration in financial condition; downgrade in a financial strength
rating; change in the status of its domiciliary license; change in the qualification status of its
domestic jurisdiction; and the triggering of certain thresholds with respect to reinsurance
obligations to U.S. ceding insurers that are past due (in accordance with Section 8(B) of Model
#786). While such changes may require action under statute or regulation, the ReFAWG process is
intended to facilitate communication and coordination with respect to the date upon which changes
in a certified reinsurer’s rating/status are effective, as well as discussion of any other relevant issues.

As part of the ongoing review process, other information may come to the attention of a certifying
state and/or ReFAWG that warrants consideration with respect to a certified reinsurer’s
rating/status. While ReFAWG cannot require a state to delay any action with respect to a certified
reinsurer’s rating/status, certifying states are strongly encouraged to notify ReFAWG prior to
taking any related action, as the ReFAWG process will serve to provide a proactive regulatory
mechanism for communication of such information, discussion among regulators with respect to
changes being considered on the basis of subjective rating criteria, and possible coordination of
applicable effective dates if such changes are enacted. Upon receipt of any such information,
ReFAWG will send notification to the NAIC Chief Financial Regulators listing and may coordinate
an interim meeting as deemed appropriate in order to discuss the issue(s).

g. Schedule F/S (Ceded Reinsurance) – Applicants domiciled in the U.S. must provide the most
recent NAIC Annual Statement Blank Schedule F (property/casualty) and/or Schedule S (life and

health). Applicants domiciled outside the U.S. must provide Form CR-F (property/casualty) and/or Form CR-S (life and health), completed in accordance with the instructions.

h. **Disputed and/or Overdue Reinsurance Claims** - The applicant must provide a detailed explanation regarding reinsurance obligations to U.S. cedents that are in dispute and/or more than 90 days past due that exceed 5% of its total reinsurance obligations to U.S. cedents as of the end of its prior financial reporting year or reinsurance obligations to any of the top 10 U.S. cedents (based on the amount of outstanding reinsurance obligations as of the end of its prior financial reporting year) that are in dispute and/or more than 90 days past due exceed 10% of its reinsurance obligations to that U.S. cedent. The applicant must then provide a description of its business practices in dealing with U.S. ceding insurers and a statement that the applicant commits to comply with all contractual requirements applicable to reinsurance contracts with U.S. ceding insurers.

i. **Mechanisms Used to Secure Obligations Incurred as a Certified Reinsurer** - The applicant must specify the mechanisms it will use to secure obligations incurred as a Certified Reinsurer. Use of multi-beneficiary trust must include: (1) approval from the domiciliary regulator; (2) the form of the trust that will be used as a certified reinsurer; and (3) the form of the trust that will be used to secure obligations incurred outside of the applicant’s certified reinsurer status (if applicable).

j. **Regulatory Actions** – The applicant must provide a description of any regulatory actions taken against the applicant. Include details on all regulatory actions, fines, and penalties. Further, a description of any changes in with respect to the provisions of the applicant’s domiciliary license should be provided.

k. **Audited Financial Report and Actuarial Opinion** – As filed with its non-U.S. jurisdiction supervisor, with a translation into English, the applicant must file audited financial statement for the current and prior year and an actuarial opinion (must be stand-alone, or the functional equivalent under the Supervisor’s applicable Actuarial Function Holder Regime).

l. **Solvent Schemes of Arrangement** - The applicant must provide a description of any past, present, or proposed future participation in any solvent scheme of arrangement, or similar procedure, involving U.S. ceding insurers.

m. **Form CR-1** - The applicant must provide a state lead state specific Form CR-1, which must be properly executed by an officer authorized to bind the applicant to the commitments set forth in the form.

n. **Other Requirements** - The applicant must commit to comply with other reasonable requirements deemed necessary for certification by the certifying state. Further, the applicant must provide a statement that it agrees to post 100% security upon the entry of an order of rehabilitation or conservation against the ceding insurer or its estate.

o. **Public Notice** - The commissioner is required to post notice on the insurance department’s website promptly upon receipt of any application for certification, including instructions on how members
of the public may respond to the application. The commissioner may not take final action on the application until at least 30 days after posting such notice. The commissioner will consider any comments received during the public notice period with respect to this application.

4. **Certified Reinsurers – Certified by Another NAIC Accredited Jurisdiction**

If an applicant for certification has been certified as a reinsurer in an NAIC accredited jurisdiction, the state has the discretion to defer to that jurisdiction’s certification and assigned rating (i.e., passporting) as provided in the *Uniform Application Checklist for Certified Reinsurers* (Exhibit 1).

To assist in the determination to defer to another jurisdiction’s certification the following documents are required:

a. **Qualified Jurisdiction** - The assuming insurer must be domiciled and licensed to transact insurance or reinsurance in a Qualified Jurisdiction.

b. **Verification of Certification Issued by an NAIC Accredited Jurisdiction** – The applicant must provide a copy of the approval letter or other documentation provided to the applicant by the NAIC accredited jurisdiction. The letter should include the state, rating and collateral percentage assigned, effective date, lines of business, and the applicant’s statement on compliance. ReFAWG may also verify a certification issued by an NAIC accredited jurisdiction through its internal processes.

c. **Mechanisms Used to Secure Obligations Incurred as a Certified Reinsurer** - The applicant must specify the mechanisms it will use to secure obligations incurred as a Certified Reinsurer. Use of multi-beneficiary trust must include: (1) approval from the domiciliary regulator; (2) the form of the trust that will be used as a certified reinsurer; and (3) the form of the trust that will be used to secure obligations incurred outside of the applicant’s certified reinsurer status (if applicable).

d. **Form CR-1** - The applicant must provide a state lead state specific Form CR-1, which must be properly executed by an officer authorized to bind the applicant to the commitments set forth in the form.

e. **Other Requirements** - The applicant must commit to comply with other reasonable requirements deemed necessary for certification by the certifying state. Further, they must provide a statement that they agree to post 100% security upon the entry of an order of rehabilitation or conservation against the ceding insurer or its estate.

f. **Public Notice** - The commissioner is required to post notice on the insurance department’s website promptly upon receipt of any application for certification, including instructions on how members of the public may respond to the application. The commissioner may not take final action on the application until at least 30 days after posting such notice. The commissioner will consider any comments received during the public notice period with respect to this application.
5. Reciprocal Jurisdiction Process - Initial Application to Lead State

Annual Verification of Minimum Standards:

<table>
<thead>
<tr>
<th>Timeline Event</th>
<th>Required Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Documents Filed with Lead State</td>
<td>June 30</td>
</tr>
<tr>
<td>Required Passporting Documents Uploaded to NAIC ReFAWG Database</td>
<td>August 31</td>
</tr>
<tr>
<td>NAIC Staff Re-Verification Process and Conference Calls</td>
<td>September 1 – November 30</td>
</tr>
<tr>
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<td>December 1</td>
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<tr>
<td>Effective Date of Passporting Re-Verification</td>
<td>1/1/xx to 12/31/xx (Next Calendar Year)</td>
</tr>
<tr>
<td>Applications for Passporting</td>
<td>1/1/xx to 12/31/xx</td>
</tr>
</tbody>
</table>

Pursuant to the Uniform Checklist for Reciprocal Jurisdiction Reinsurers (Exhibit 2), the “Lead State” will uniformly require assuming insurers to provide the following documentation so that other states may rely upon the Lead State’s determination:

a. **Status of Reciprocal Jurisdiction** - The assuming insurer must be licensed to write reinsurance by, and have its head office or be domiciled in, a Reciprocal Jurisdiction that is listed on the NAIC List of Reciprocal Jurisdictions. A “Reciprocal Jurisdiction” is a jurisdiction, as designated by the commissioner, that meets one of the following: (1) a non-U.S. jurisdiction that is subject to an in-force Covered Agreement with the United States; (2) a U.S. jurisdiction that meets the requirements for accreditation under the NAIC Financial Standards and Accreditation Program; or (3) a Qualified Jurisdiction that has been determined by the commissioner to meet all applicable requirements to be a Reciprocal Jurisdiction. The Reciprocal Jurisdiction Reinsurer should identify which type of jurisdiction it is domiciled in and provide any documentation to confirm this status if requested by the commissioner.

b. **Minimum Capital and Surplus** - The assuming insurer must have and maintain on an ongoing basis minimum capital and surplus, or its equivalent, calculated on at least an annual basis as of the preceding December 31 or at the annual date otherwise statutorily reported to the Reciprocal Jurisdiction: no less than $250,000,000 (USD); or if the assuming insurer is an association, including incorporated and individual unincorporated underwriters: minimum capital and surplus equivalents (net of liabilities) or own funds of the equivalent of at least $250,000,000 (USD); and a central fund containing a balance of the equivalent of at least $250,000,000 (USD). The assuming insurer’s supervisory authority must confirm to the Lead State commissioner on an annual basis according to the methodology of its domiciliary jurisdiction that the assuming insurer satisfies this requirement. The Mutual Recognition of Jurisdictions (E) Working Group will coordinate the confirmations of the domiciliary jurisdictions with ReFAWG with respect to individual Reciprocal Jurisdiction Reinsurers.

c. **Minimum Solvency or Capital Ratio** - The assuming insurer must have and maintain on an ongoing basis a minimum solvency or capital ratio: The ratio specified in the applicable in-force
d. **Form RJ-1** - The assuming insurer must provide a signed Form RJ-1, which must be properly executed by an officer of the assuming insurer.

e. **Audited Financial Report** - The assuming insurer’s annual audited financial statements, in accordance with the applicable law of the jurisdiction of its head office or domiciliary jurisdiction, as applicable, including the external audit report as provided under Section 9C(5)(a) of Model #786.

f. **Solvency and Financial Condition Report or Actuarial Opinion** – The applicant must submit a solvency and financial condition report or actuarial opinion, if filed with the assuming insurer’s supervisor as provided under Section 9C(5)(b) of Model #786.

g. **Overdue Reinsurance Claims** – The applicant must submit a list of all disputed and overdue reinsurance claims outstanding for 90 days or more, regarding reinsurance assumed from ceding insurers domiciled in the United States as provided under Section 9C(5)(c) of Model #786. The commissioner shall request the reinsurer to provide the information required to demonstrate the reinsurer’s practice of prompt payment of claims under its reinsurance agreements prior to entry into a reinsurance agreement, and annually thereafter, in order to demonstrate compliance with Section 9C(6) of Model #786.

h. **Assumed and Ceded Reinsurance Schedules** – The applicant must submit information regarding the assuming insurer’s assumed reinsurance by ceding insurer, ceded reinsurance by the assuming insurer, and reinsurance recoverable on paid and unpaid losses by the assuming insurer as provided under Section 9C(5)(d) of Model #786. Applicants domiciled in the U.S. must provide the most recent NAIC Annual Statement Blank Schedule F (property/casualty) and/or Schedule S (life and health). Applicants domiciled outside the U.S. may provide this information using Form CR-F (property/casualty) and/or Form CR-S (life and health), which ReFAWG considers sufficient to meet this requirement.

i. **Prompt Payment of Claims** - The assuming insurer must maintain a practice of prompt payment of claims under reinsurance agreements. The lack of prompt payment will be evidenced if any of the following criteria is met: (1) more than fifteen percent (15%) of the reinsurance recoverables from the assuming insurer are overdue and in dispute as reported to the commissioner; (2) more than fifteen percent (15%) of the assuming insurer’s ceding insurers or reinsurers have overdue claims.
reinsurance recoverable on paid losses of 90 days or more which are not in dispute and which exceed for each ceding insurer $100,000, or as otherwise specified in a Covered Agreement; or (3) the aggregate amount of reinsurance recoverable on paid losses which are not in dispute, but are overdue by 90 days or more, exceeds $50,000,000, or as otherwise specified in a Covered Agreement.

6. **Reciprocal Jurisdiction Process – Passporting States**

Per the *Uniform Checklist for Reciprocal Jurisdiction Reinsurers* (Exhibit 2), if an NAIC accredited jurisdiction has determined that the conditions set forth under the *Filing Requirements for Lead States* have been met, the commissioner has the discretion to defer to that jurisdiction’s determination and add such assuming insurer to the list of assuming insurers to which cessions shall be granted credit. The commissioner may accept financial documentation filed with the Lead State or with the NAIC. The following document is required to be filed with the state:

- **Form RJ-1** - The assuming insurer must provide a signed Form RJ-1, which must be properly executed by an officer of the assuming insurer.
- **Verification of Determination Issued by an NAIC Accredited Jurisdiction** – The applicant must provide a copy of the approval letter or other documentation provided to the applicant by the NAIC accredited jurisdiction. The letter should include the state, effective date, and lines of business.

7. **NAIC Staff Review of Certified and Reciprocal Jurisdiction Reinsurers**

The reinsurer will file this information with the initial reviewing state and such Lead State will submit the information to ReFAWG in accordance with the applicable information sharing process. This submission by the Lead State will also facilitate other states’ access to the information. NAIC staff shall prepare a report for review by ReFAWG intended to provide information regarding whether the Lead State’s submission meets the requirements of the ReFAWG Review Process, and to determine whether there are any deficiencies in the application. This report will be considered confidential but may be made available to states through the NAIC’s information sharing process.

NAIC Staff under the direction of ReFAWG will assist in the review of the filings and in monitoring the ongoing condition of the reinsurers. If during the review process or during an interim period ReFAWG determines that a reinsurer’s assigned rating or status may warrant reconsideration, notice will be sent to the Lead State. The specific issues identified will be presented for discussion during the next ReFAWG meeting.

8. **Process for Ongoing Monitoring of Reinsurers**

Certified and Reciprocal Jurisdiction Reinsurers are required to file specific information to a certifying state on an ongoing basis. NAIC Staff and ReFAWG will review this information in an effort to assist states with the ongoing monitoring of the reinsurers. Subject to applicable state law, all non-public information submitted by reinsurers shall be kept confidential and regulator only.
9. **Withdrawal/Termination of a Certified or Reciprocal Jurisdiction Reinsurer**

When a reinsurer requests to withdraw its status or the lead state terminates the reinsurer’s status as a certified or reciprocal reinsurer, notice of this action should be promptly conveyed to the appropriate NAIC Staff. Once NAIC Staff receives notification of withdrawal or termination, the applicable Passported Reinsurers List(s) will be updated to reflect this status change. The Passported reinsurer will follow the lead state’s laws regarding its withdrawal or termination regarding any active reinsurance contracts.

10. **Interaction Between Certified Reinsurers and Reciprocal Jurisdiction Reinsurer Status**

   a. Under Section 8A(5) Model #786, credit for reinsurance shall apply only to reinsurance contracts entered into or renewed on or after the effective date of the certification of the assuming insurer with respect to Certified Reinsurers. Under Section 2F(7) of the *Credit for Reinsurance Model Law (#785)*, credit shall be taken with respect to Reciprocal Jurisdiction Reinsurers only for reinsurance agreements entered into, amended, or renewed on or after the effective date of the statute adding this subsection, and only with respect to losses incurred and reserves reported on or after the later of (i) the date on which the assuming insurer has met all eligibility requirements to be designated a Reciprocal Jurisdiction Reinsurer, and (ii) the effective date of the new reinsurance agreement, amendment, or renewal.

   b. It is expected that certain assuming insurers may be considered to be Certified Reinsurers for purposes of in-force business or business with existing liabilities and Reciprocal Jurisdiction Reinsurers with respect to reinsurance agreements entered into, amended, or renewed on or after the effective date. In addition, these same reinsurers may also have certain blocks of business that are fully collateralized under the prior provisions of Model #785 and Model #786. The NAIC Blanks have been amended to reflect the status of these reinsurers with respect to each type of insurance assumed.

   c. With respect to those reinsurers that are currently Certified Reinsurers but are seeking recognition by ReFAWG as Reciprocal Jurisdiction Reinsurers for passporting purposes, the same process as outlined in paragraphs 3-6 of this ReFAWG Review Process must be followed. A Form RJ-1 must be filed with each state in which the reinsurer seeks recognition as a Reciprocal Jurisdiction Reinsurer, and the reinsurer must meet all other applicable requirements. However, states may share this information with other states through the NAIC and the ReFAWG Review Process, and previously filed information used in the review of the reinsurer as a Certified Reinsurer may also be utilized in its review as a Reciprocal Jurisdiction Reinsurer. For example, a Reciprocal Jurisdiction Reinsurer may cross reference information/documentation that has been filed with respect to its status as a Certified Reinsurer, so that it is not necessary to file duplicative documents. ReFAWG will take full advantage of the passporting process, with the intent of reducing the amount of documentation filed with the states and reduce duplicate filings.

   d. During the initial phases of the implementation of the review of Reciprocal Jurisdiction Reinsurers, not all states may have fully implemented their internal processes for performing these reviews. During this interim period, if a Reciprocal Reinsurer has been approved by a lead state and
ReFAWG, the Reciprocal Jurisdiction Reinsurer may seek passporting approval from other states that have adopted the model law and regulation even where a formal internal process for doing so has not yet been finalized. States and Reciprocal Jurisdiction Reinsurers are encouraged to communicate on these issues and, as appropriate, to coordinate through the NAIC to facilitate the passporting process.

11. Commissioner Shall Create and Publish Lists

Section 2E(3) of Model #785 and Section 8C(1) of Model #786 require the commissioner to publish a list of Qualified Jurisdictions, while Section 2E(4) of Model #785 and Section 8B(2) of Model #786 require the commissioner to publish a list of all Certified Reinsurers and their ratings. Section 2F(2) & (3) of Model #785 and Section 9D and E of Model #786 require the commissioner to (a) timely create and publish a list of Reciprocal Jurisdictions; and (b) timely create and publish a list of Reciprocal Jurisdiction Reinsurers. It is expected that the commissioner will publish these respective lists on the insurance department’s website, along with special instructions or other guidance as to how Certified Reinsurers and Reciprocal Jurisdiction Reinsurers may meet the applicable filing requirements under the models. There currently are no specific requirements as to the format in which these lists must be published, but ReFAWG and NAIC staff will assist the states with questions on the publication of these lists. In addition, ReFAWG will maintain links on its NAIC webpage to the lists published on the insurance departments’ webpages.