2020 Summer National Meeting  
Virtual Meeting  

REINSURANCE (E) TASK FORCE  
Thursday, August 6, 2020  
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  

ROLL CALL  

Chlora Lindley-Myers, Chair  
Raymond G. Farmer, Vice Chair  
Jim L. Ridling  
Lori K. Wing-Heier  
Elizabeth Perri  
Alan McClain  
Ricardo Lara  
Michael Conway  
Andrew N. Mais  
Trinidad Navarro  
David Altmaier  
John F. King  
Dafne M. Shimizu  
Dean L. Cameron  
Robert H. Muriel  
Stephen W. Robertson  
Doug Ommen  
Vicki Schmidt  
Sharon P. Clark  

Missouri  
South Carolina  
Alabama  
Alaska  
American Samoa  
Arkansas  
California  
Colorado  
Connecticut  
Delaware  
Florida  
Georgia  
Guam  
Idaho  
Illinois  
Indiana  
Iowa  
Kansas  
Kentucky  

James J. Donelon  
Eric A. Cioppa  
Gary Anderson  
Matthew Rosendale  
Bruce R. Ramge  
Barbara D. Richardson  
Chris Nicolopoulos  
Marlene Caride  
Linda A. Lacewell  
Mike Causey  
Jon Godfread  
Jillian Froment  
Glen Mulready  
Elizabeth Kelleher Dwyer  
Kent Sullivan  
Todd E. Kiser  
Michael S. Pieciak  
Scott A. White  
Mark Afable  

Louisiana  
Maine  
Massachusetts  
Montana  
Nebraska  
Nevada  
New Hampshire  
New Jersey  
New York  
North Carolina  
North Dakota  
Ohio  
Oklahoma  
Rhode Island  
Texas  
Utah  
Vermont  
Virginia  
Wisconsin  

NAIC Support Staff: Jake Stultz/Dan Schelp  

AGENDA  

1. Consider Adoption of its June 9 Minutes—John Rehagen (MO)  
2. Consider Adoption of its 2021 Proposed Charges—John Rehagen (MO)  
   —Rolf Kaumann (CO)  
4. Consider Adoption of the Qualified Jurisdiction (E) Working Group Report—Robert Wake (ME)  
5. Receive a Status Report on the States’ Implementation of the 2019 Revisions to the Credit for Reinsurance Model Law (#785) and Credit for Reinsurance Model Regulation (#786)  
   —John Rehagen (MO)  
6. Discuss Any Other Matters Brought Before the Task Force—John Rehagen (MO)  
7. Adjournment
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The Reinsurance (E) Task Force met via conference call June 9, 2020. The following Task Force members participated: Chlora Lindley-Myers, Chair, represented by John Rehagen (MO); Raymond G. Farmer, Vice Chair, represented by Daniel Morris (SC); Lori K. Wing-Heier represented by David Phifer (AK); Alan McClain represented by Mel Anderson (AR); Ricardo Lara represented by Monica Macaluso and Kim Hudson (CA); Michael Conway represented by Rolf Kaumann (CO); Andrew N. Mais represented by Kathy Belfi and Jim Jakielo (CT); Trinidad Navarro represented by Dave Lonchar (DE); David Altmaier represented by Carolyn Morgan (FL); John F. King (GA); Doug Ommen represented by Carrie Mears (IA); Dean L. Cameron represented by Nathan Faragher (ID); Robert H. Muriel represented by Eric Moser (IL); Stephen W. Robertson represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Jeff Gaither (KY); James J. Donelon represented by Stewart Guerin (LA); Gary Anderson represented by Christopher Joyce (MA); Eric A. Cioppa, represented by Robert Wake (ME); Matthew Rosendale represented by Steve Matthews (MT); Mike Causey represented by Jackie Obusek (NC); Jon Godfrey represented by Matt Fischer (ND); Bruce R. Ramge represented by Lindsay Crawford and Justin Schrader (NE); Chris Nicolopoulos represented by Doug Bartlett (NH); Marlene Caride represented by John Tirado (NJ); Barbara D. Richardson represented by Joel Bengo (NV); Linda A. Lacewell represented by Michael Campanelli (NY); Jillian Froment represented by Dale Bruggeman (OH); Glen Mulready represented by Andrew Schallhorn (OK); Elizabeth Kelleher Dwyer represented by Jack Broccoli (RI); Kent Sullivan represented by Jamie Walker and Mike Boerner (TX); Todd E. Kiser represented by Jake Garn (UT); Scott A. White represented by David Smith and Doug Stolte (VA); and Mark Afable represented by Randy Milquet (WI).

1. Adopted its March 11, Jan. 29, and 2019 Fall National Meeting Minutes

Mr. Rehagen stated that the Task Force met March 11, Jan. 29, and Dec. 8, 2019. During its March 11 meeting, the Task Force: 1) adopted that the 2019 revisions to the Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786) be an accreditation standard for risk retention groups (RRGs); and 2) discussed whether Actuarial Guideline XLVIII—Actuarial Opinion and Memorandum Requirements for the Reinsurance of Policies Required to be Valued under Sections 6 and 7 of the NAIC Valuation of Life Insurance Policies Model Regulation (Model 830) (AG 48) should be considered to be “substantially similar” to the Term and Universal Life Insurance Reserve Financing Model Regulation (#787) for purposes of accreditation. During its Jan. 29 meeting, the Task Force adopted technical revisions to Model #787.

Mr. Eft made a motion, seconded by Ms. Obusek, to adopt the Task Force’s March 11 (Attachment One-A), Jan. 29 (Attachment One-B), and Dec. 8, 2019, (see NAIC Proceedings – Fall 2019, Reinsurance (E) Task Force) minutes. The motion passed unanimously.

2. Discussed Whether Compliance with AG 48 Should be Considered “Substantially Similar” to Model #787 for Accreditation Purposes

Mr. Rehagen stated that the Task Force discussed whether compliance with AG 48 should be considered to be “substantially similar” to Model #787 for accreditation purposes on its March 11 conference call. He stated that the Task Force exposed a memorandum (Attachment One-C) on Feb. 5 for a 21-day public comment period. He noted that the Financial Regulation Standards and Accreditation (F) Committee has adopted Model #787 as an accreditation standard, recommended to be effective Sept. 1, 2022, with enforcement beginning Jan. 1, 2023. He stated that his preference was to not provide a formal recommendation to the Committee, leave the current recommendation in place for adoption by the Executive (EX) Committee and Plenary, and allow the Financial Regulation Standards and Accreditation (F) Committee to review and address potential accreditation issues on a case-by-case basis.

Dan Schelp (NAIC) stated that the Accreditation Program Manual provides a definition of “substantially similar” that does not require a state to adopt every significant element of a model, but the state may also rely on an administrative practice that results in solvency regulation that is similar in force and no less effective than the NAIC model law or regulation for that standard. He stated that on an annual basis, the NAIC Legal Division will perform a Part A review of the state’s laws and regulations and will then provide an opinion to the Financial Regulation Standards and Accreditation (F) Committee as to whether a state’s administrative practices or other laws or regulations are similar in force and no less effective than the model. He noted that this is normally an outcomes-based approach, and if the state is achieving “substantially similar” financial solvency results as under the model, the practice would be considered “substantially similar.”
Mr. Schelp noted that there is a caveat that the department of insurance (DOI) must not have encountered a successful challenge to the required administrative practice by an insurer, and the DOI must generally support compliance with the practice by the insurers. He stated that it is the opinion of NAIC staff that AG 48 is an administrative practice that if enforced by a state would result in financial solvency regulation that is “substantially similar” to Model #787. He noted that the Financial Regulation Standards and Accreditation (F) Committee generally accepts the opinion of the NAIC Legal Division, but this issue remains at the discretion of the Committee.

Becky Meyer (NAIC) stated that all companies are currently complying with AG 48 without a need to take the penalty. She noted that concerns have been expressed that the reason for compliance is the strong emphasis on making Model #787 an accreditation standard and the penalty that comes with non-compliance with Model #787. She noted that having Model #787 as the accreditation standard, along with an outcomes-based approach that allows AG 48 as an administrative practice rather than a strict recommendation that states must adopt Model #787, provides flexibility to ensure that the goals of the standard are met by all states.

Ms. Belfi stated that based on the comments provided by Mr. Schelp and Ms. Meyer, Connecticut agrees with the approach of not providing any further recommendation from the Task Force to the Financial Regulation Standards and Accreditation (F) Committee.

Mr. Rehagen stated that the Task Force will not make any further recommendations to the Financial Regulation Standards and Accreditation (F) Committee, and it will rely on the Committee’s judgment, based on the case-by-case analysis of whether a state is in compliance with the accreditation standard.

3. Adopted the Uniform Checklist for Reciprocal Jurisdiction Reinsurers and Updates to the Uniform Application Checklist for Certified Reinsurers

Mr. Rehagen stated that because of the 2019 revisions to Model #785 and Model #786, there are minor revisions needed for the existing Uniform Application Checklist for Certified Reinsurers (Attachment One-D), and a new Uniform Checklist for Reciprocal Jurisdiction Reinsurers (Attachment One-E) is needed. He stated that the Reinsurance Financial Analysis (E) Working Group was tasked with creating and modifying these checklists. On May 4, the Task Force exposed the checklists for a 21-day public comment period, and two comment letters (Attachment One-F) were received: 1) one from the International Underwriting Association of London (IUA); and 2) a combined letter from the Reinsurance Association of America (RAA) and Lloyd’s.

Mr. Schelp stated that in addition to the comment letters received, informal comments had been provided by the Association of Bermuda Insurers and Reinsurers (ABIR) and the European Commission. He stated that as a result of the comments received, a revised version of the Uniform Checklist for Reciprocal Jurisdiction Reinsurers was sent via email by NAIC staff on June 8 (Attachment One-G). He provided a brief description of these revisions.

Mr. Wake stated that he agrees with revisions that were made and are included in the version that was emailed by NAIC staff on June 8.

Mr. Bruggeman asked if both checklists would be required for companies that have both certified reinsurer business and reciprocal jurisdiction reinsurer business. Mr. Schelp stated that companies will be required to file both if they are doing both types of business.

Karalee C. Morell (RAA) stated that the RAA agrees with the revisions that were included in the draft sent by NAIC staff on June 8. Sabrina A. Miesowitz (Lloyd’s) stated that Lloyd’s agrees with the RAA’s statement.

Mr. Kaumann made a motion, seconded by Mr. Wake, to adopt the revised Uniform Application Checklist for Certified Reinsurers and the new Uniform Checklist for Reciprocal Jurisdiction Reinsurers with the edits that were sent out by NAIC staff via email on June 8. The motion passed unanimously.

Having no further business, the Reinsurance (E) Task Force adjourned.
Proposed 2021 Charges of the Reinsurance (E) Task Force

2021 Charges

The Reinsurance (E) Task Force will:

A. Provide a forum for the consideration of reinsurance-related issues of public policy.
C. Oversee the activities of the Qualified Jurisdiction (E) Working Group.
D. Monitor the implementation of the 2011, 2016 and 2019 revisions to the Credit for Reinsurance Model Law (#785), the 2011 and 2019 revisions to the Credit for Reinsurance Model Regulation (#786), and the Term and Universal Life Insurance Reserve Financing Model Regulation (#787).
E. Communicate and coordinate with the Federal Insurance Office (FIO), and other federal authorities and international regulators and authorities on matters pertaining to reinsurance.
F. Consider any other issues related to the revised Model #785, Model #786 and Model #787.
G. Monitor the development of international principles, standards and guidance with respect to reinsurance. This includes, but is not limited to, monitoring the activities of various groups within the International Association of Insurance Supervisors (IAIS), including the Reinsurance and Other Forms of Risk Transfer Subcommittee, the Reinsurance Mutual Recognition Subgroup and the Reinsurance Transparency Group.
H. Consider the impact of reinsurance-related federal legislation, including, but not limited to, the federal Nonadmitted and Reinsurance Reform Act (NRRA) and the Federal Insurance Office Act, and coordinate any appropriate NAIC action.
I. Continue to monitor the impact of reinsurance-related international agreements, including the "Bilateral Agreement Between the European Union and U.S. on Prudential Measures Regarding Insurance and Reinsurance" (Covered Agreement), and the Covered Agreement between the U.S. and the United Kingdom.

The Qualified Jurisdiction (E) Working Group will:

A. Maintain the NAIC List of Qualified Jurisdictions and the NAIC List of Reciprocal Jurisdictions in accordance with the Process for Evaluating Qualified and Reciprocal Jurisdictions.
B. Perform a yearly due diligence review of Qualified Jurisdictions to determine whether there have been any significant changes over the prior year that might affect their status as Qualified Jurisdictions.
C. Consider evaluations of any additional jurisdictions for inclusion on the NAIC List of Qualified Jurisdictions.

The Reinsurance Financial Analysis (E) Working Group will:

A. Operate in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings and operate in open session when discussing certified reinsurance topics and policy issues, such as amendments to the Uniform Application for Certified Reinsurers.
B. 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.
C. Provide a forum for discussion among NAIC jurisdictions of reinsurance issues related to specific companies, entities or individuals.
D. Support, encourage, promote and coordinate multistate efforts in addressing issues related to certified reinsurers, including, but not limited to, multistate recognition of certified reinsurers.
E. Provide analytical expertise and support to the states with respect to certified reinsurers and applicants for certification.
F. Provide advisory support with respect to issues related to the determination of qualified jurisdictions.
G. Ensure the public passporting website remains current.
H. 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.
Disclaimer: This map represents state action or pending state action regarding NAIC amendments to the model(s). This map does not reflect a determination as to whether the pending or enacted legislation contains all elements of NAIC amendments to the model(s) or whether a state meets any applicable accreditation standards.
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