



2025 SUMMER NATIONAL MEETING MINNEAPOLIS, MN

Draft date: 7/30/25

*2025 Summer National Meeting
Minneapolis, Minnesota*

REINSURANCE (E) TASK FORCE

Monday, August 11, 2025

11:30 a.m. – 12:30 p.m.

Hilton Minneapolis—Grand Ballroom ABC—Level 3

ROLL CALL

NAIC Member

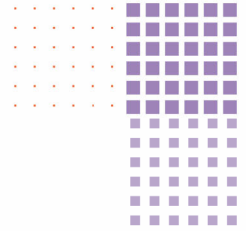
Ricardo Lara, Chair
Angela L. Nelson
Mark Fowler
Heather Carpenter
Peter M. Fuimaono
Alan McClain
Michael Conway
Andrew N. Mais
Trinidad Navarro
Michael Yaworsky
Michelle B. Santos
Scott Saiki
Holly W. Lambert
Doug Ommen
Vicki Schmidt
Sharon P. Clark
Timothy J. Temple
Robert L. Carey
Michael T. Caljouw
Grace Arnold
Mike Chaney
Remedio C. Mafnas
Ned Gaines
D.J. Bettencourt
Justin Zimmerman
Adrienne A. Harris
Mike Causey
Jon Godfread
Judith L. French

Representative

Monica Macaluso, Chair
John Rehagen, Vice Chair
Todrick Burks/Richard Russell
David Phifer
Peter M. Fuimaono
Mel Anderson
Rolf Kaumann
Wanchin Chou
Nicole Brittingham
Jane Nelson
Michelle B. Santos
Scott Saiki
Roy Eft
Kim Cross
Tish Becker
Vicki Lloyd
Timothy J. Temple
Robert Wake
Christopher Joyce
Ben Slutsker
Chad Bridges
Remedio C. Mafnas
Ned Gaines
Ned Cataldo
Justin Zimmerman
Adrienne A. Harris
Jacqueline Obusek
Matt Fischer
Dale Bruggeman

State/Territory

California
Missouri
Alabama
Alaska
American Samoa
Arkansas
Colorado
Connecticut
Delaware
Florida
Guam
Hawaii
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Massachusetts
Minnesota
Mississippi
N. Mariana Islands
Nevada
New Hampshire
New Jersey
New York
North Carolina
North Dakota
Ohio

**NAIC Member**

Glen Mulready
TK Keen
Michael Humphreys
Michael Wise
Cassie Brown
Tregenza A. Roach
Jon Pike
Scott A. White
Nathan Houdek

Representative

Eli Snowbarger
Paul Throckmorton
Diana Sherman
Ryan Basnett
Jamie Walker
Glendina Matthew
Reed Stringham
Doug Stolte
Mark McNabb

State/Territory

Oklahoma
Oregon
Pennsylvania
South Carolina
Texas
U.S. Virgin Islands
Utah
Virginia
Wisconsin

NAIC Support Staff: Jake Stultz/Dan Schelp

AGENDA

1. Consider Adoption of its Spring National Meeting Minutes
—*Monica Macaluso (CA)* Attachment One
2. Consider Adoption of its 2026 Proposed Charges—*Monica Macaluso (CA)* Attachment Two
3. Consider Adoption of the Report of the Reinsurance Financial Analysis (E)
Working Group—*Rolf Kaumann (CO)*
4. Receive a Status Report on the Reinsurance Activities of the Mutual
Recognition of Jurisdictions (E) Working Group—*Robert Wake (ME)*
5. Discuss Ongoing Projects at the NAIC That Affect Reinsurance
—*Monica Macaluso (CA)*
 - A. *Actuarial Guideline LV—Application of the Valuation Manual for Testing
the Adequacy of Reserves Related to Certain Life Reinsurance Treaties
(AG 55)*
 - B. Offshore Life Reinsurance Discussions
 - C. Property/Casualty (P/C) Reinsurance Discussions
 - D. Other Ongoing Projects at the NAIC
6. Discuss a Proposal to Allow Ceded Unearned Premium Reserve Surety Bond
for Unearned Premium Reinsurance Collateral—*Monica Macaluso (CA)* Attachment Three
7. Discuss Any Other Matters Brought Before the Task Force
—*Monica Macaluso (CA)*
8. Adjournment

Draft: 3/13/25

Reinsurance (E) Task Force
Virtual Meeting
March 4, 2025

The Reinsurance (E) Task Force met March 4, 2025. The following Task Force members participated: Ricardo Lara, Chair, represented by Monica Macaluso (CA); Scott Kipper, Vice Chair (NV); Lori K. Wing-Heier represented by David Phifer (AK); Mark Fowler represented by Todrick Burks (AL); Alan McClain represented by Chris Erwin (AR); Peter M. Fuimaono represented by Elizabeth Perri (AS); Michael Conway represented by Rolf Kaumann (CO); Andrew N. Mais represented by Wanchin Chou (CT); Trinidad Navarro represented by Charles Santana (DE); Michael Yaworsky represented by Ainsley Hurley (FL); Doug Ommen represented by Kim Cross (IA); Holly W. Lambert represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Vicki Lloyd (KY); Timothy J. Temple represented by Melissa Gibson (LA); Michael T. Caljouw represented by Christopher Joyce (MA); Robert L. Carey represented by Robert Wake (ME); Grace Arnold represented by Ben Slutsker and Fred Andersen (MN); Angela L. Nelson represented by John Rehagen (MO); Mike Chaney represented by Chad Bridges (MS); Jon Godfread represented by Matt Fischer (ND); Justin Zimmerman represented by David Wolf (NJ); Adrienne A. Harris represented by Bob Kasinow (NY); Judith L. French represented by Dale Bruggeman (OH); Glen Mulready represented by Eli Snowbarger (OK); Andrew R. Stolfi represented by Paul Throckmorton (OR); Michael Humphreys represented by Diana Sherman (PA); Michael Wise represented by Ryan Basnett (SC); Cassie Brown represented by Amy Garcia (TX); Jon Pike represented by Cambria Shore (UT); Scott A. White represented by Doug Stolte (VA); and Nathan Houdek represented by Mark McNabb (WI).

1. Adopted its 2024 Fall National Meeting Minutes

Rehagen made a motion, seconded by Lloyd, to adopt the Task Force's Oct. 24, 2024, minutes (*see NAIC Proceedings—Fall 2024, Reinsurance (E) Task Force*). The motion passed unanimously.

2. Received a Status Report and Heard Comments on the Life Actuarial (A) Task Force's AAT Project

Macaluso stated that a project has been ongoing for the past two years at the Life Actuarial (A) Task Force that would require asset adequacy testing (AAT) to be performed using a cash flow testing methodology for life and annuity reinsurance transactions. She stated that this project was proposed by several state insurance regulators and recommends changes to the AAT methodology for the assets that support reinsurance transactions. She stated that this project had been discussed publicly during several Life Actuarial (A) Task Force meetings and noted that there were substantial discussions during those meetings.

Andersen stated that the Life Actuarial (A) Task Force met several times over the past months to discuss the AAT project. He stated that the regulatory focus of the project is on gaining insight into reserve adequacy when business is ceded, with a particular focus on U.S. policyholders. He noted that reinsurance may result in a lowering of transparency in terms of the amount of reserves held and the types and risks associated with the assets supporting reserves. He stated that there has been a high level of consensus between regulators and interested parties at this point in the process.

Andersen stated that the primary goals of this project are to provide U.S. state regulators with what is needed to review the reserves and solvency of U.S. life insurers, to steer clear of conflicts with reciprocal jurisdictions and covered agreement issues, and to prevent extra work by U.S. ceding companies where there is immaterial risk. He noted that the actuarial guideline will be disclosure only but noted that companies may view the results of the analysis and decide to post additional reserves and that domestic regulators will continue to have the right to

require additional analysis and reserves. He noted that after the first year of analysis, the Life Actuarial (A) Task Force may reopen discussion of the project if deemed to be necessary.

Andersen noted that the Life Actuarial (A) Task Force is currently focused on scope and materiality thresholds and noted that there is likely to be some flexibility in the way that this analysis is conducted. He noted that the Task Force is also looking at the appropriateness of alternative types and forms of analysis. Andersen provided an updated timeline on the project, noting that the group plans for the potential adoption of the new actuarial guideline in May 2025 at the Life Actuarial (A) Task Force, with adoption by the Life Insurance and Annuities (A) Committee in the summer.

Karalee Morell (Reinsurance Association of America—RAA) noted that the Life Actuarial (A) Task Force has not yet addressed issues related to the “Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” (EU Covered Agreement) and the “Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance” (UK Covered Agreement) because the project is taking a disclosure-only approach.

Morell noted that the RAA and its members continue to be concerned about potential covered agreement implications, even if the adoption is disclosure only. She stated that as it is currently drafted, the most recent proposal would require duplicative regulatory disclosure for some of RAA’s members located in Europe, which is inconsistent with the principles of the EU and UK Covered Agreements, even if disclosure is all that is required. She urged the Reinsurance (E) Task Force and Life Actuarial (A) Task Force to allow a full discussion of these issues now, either through a dedicated exposure of that topic or through a dedicated Life Actuarial (A) Task Force or subgroup call on these issues or both. Resolution of these concerns is critical given the importance of maintaining the EU and UK Covered Agreements. Additionally, she noted that the European Insurance and Occupational Pensions Authority (EIOPA), the Bermuda Monetary Authority (BMA), and other regulators are actively considering regulatory action with respect to asset-intensive transactions and that the NAIC should take no action that might conflict with the EU and UK Covered Agreements or trigger parallel regulatory action inconsistent with the principles underlying those agreements. Jeff Altman (RAA) agreed with Morell’s statement.

Dan Schelp (NAIC) noted that there have not been specific discussions with the Federal Insurance Office (FIO), but they are monitoring this ongoing project.

Andersen asked if the RAA could provide any specific information related to their concerns about potential conflicts with the EU and UK Covered Agreements. Morell responded that she would provide some examples later.

Wake noted agreement with avoiding any duplicative and burdensome disclosures.

Jason Kehrberg (American Academy of Actuaries—Academy) stated that he supports the disclosure-only language and stated that it is reasonable for the appointed actuary to perform a mandatory run of cash flow testing where the starting asset amount equals the post-reinsurance result and alternative runs at the option of the appointed actuary that may use higher starting asset amounts. He also noted support for enhancing the examples further or adding additional examples. He noted that one comment on the scenarios that were required in the current guideline was the New York Seven scenarios that many companies used for their cash flow testing, which are required in New York, and suggested that in some situations, the appointed actuary be allowed to use other scenarios if they feel they can demonstrate they do a better job of stressing the risky aspects of the treaty.

Peter Gould (Retired) stated that he is a retiree and end user of insurance products. He said he depends on annuity income for a substantial portion of his retirement income. He recommended regulations that can be used proactively and effectively to prevent the impairment of solvency so the contractual obligations to policy owners

are paid. He noted concern with the limited scope of this project at this point and suggested some sort of asset adequacy grading system that would be added to the consumer information search financial disclosures.

Brian Bayerle (American Council of Life Insurers—ACLI) stated that his group intends to work with state insurance regulators to develop the necessary tools to assess and mitigate insurance risks while ensuring consumer access to life and retirement products. He agreed with the comments from the RAA. He noted that the ACLI is proposing a simplified version of this guideline that still meets the spirit of this effort with a focus on mandating that the appointed actuary provide a suitable assessment of the reinsurance-related exposures and risks associated with the transactions that they are entering. Specifically, this assessment should address the identified risks and what mitigating factors are in place and then allow for alternative forms of analysis or submissions. He agreed with Andersen's comment about including flexibility in the first year. He suggested that the appointed actuary should have flexibility around this analysis, as should the domestic regulator. He requested that the scope be limited to 2020 and later policies. He noted the technical issues with the introduction of the concept of an associated party, which is similar to the existing known statutory concept of an affiliate party but would potentially go further at a lower ownership control level.

Greg Mitchell (Cayman International Reinsurance Companies Association—CIRCA) noted that Cayman reinsurers are unauthorized and required to be fully collateralized under the *Credit for Reinsurance Model Law* (#785), adding that there is often a level of over-collateralization in these arrangements that will further protect the ceding insurers. He stated that the collateral and not the reinsurer's reserve should serve as the starting point of any kind of AAT.

Patricia Matson (Risk & Regulatory Consulting—RRC) stated that the driver of this project was a small number of transactions where the invested assets declined dramatically pre- and post-transaction, so there is less to protect the consumer. She agrees with a risk-focused approach. She noted that disclosure alone will not necessarily protect consumers, so a long-term solution that focuses on protecting consumers should be put in place.

3. Adopted the Report of the Reinsurance Financial Analysis (E) Working Group

Kaumann stated that the Reinsurance Financial Analysis (E) Working Group met Nov. 29, 2024, and Dec. 19, 2024, in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to approve several certified and reciprocal jurisdiction reinsurers for passporting.

Kaumann stated that the Working Group has now approved 97 reciprocal jurisdiction reinsurers and 40 certified reinsurers for passporting and that 49 states have passported a reciprocal jurisdiction reinsurer. He noted that the list of passported reinsurers can be found on the certified and reciprocal jurisdiction reinsurer web page.

Kaumann made a motion, seconded by Eft, to adopt the report of the Working Group. The motion passed unanimously.

4. Received a Status Report on the Reinsurance Activities of the Mutual Recognition of Jurisdictions (E) Working Group

Wake stated that the Working Group last met Oct. 24, 2024, in regulator-to-regulator session pursuant to paragraph 8 (international regulatory matters) of the NAIC Policy Statement on Open Meetings, where the Working Group reapproved the status of Bermuda, France, Germany, Ireland, Japan, Switzerland, and the United Kingdom (UK) as qualified jurisdictions and Bermuda, Japan, and Switzerland as reciprocal jurisdictions. He noted that Bermuda, Japan, and the UK are in the process of making changes to their regulatory systems and that NAIC staff are monitoring the implementation of these changes and will report any findings to the Working Group.

5. Discussed Ongoing Projects at the NAIC Affecting Reinsurance

Jake Stultz (NAIC) stated that in 2023, the Macroprudential (E) Working Group had created a new reinsurance worksheet, which is an optional tool for state insurance regulators to get a better understanding of reinsurance transactions at the companies they regulate. He requested that if anybody who had used the worksheet had any comments on the overall form or function, please provide those to him so they can be compiled and shared with the appropriate NAIC group. Stultz noted that the Macroprudential (E) Working Group will also continue to focus on its 13 considerations and that a major focus of their work will be on cross-border reinsurance.

Stultz stated that the Valuation Analysis (E) Working Group is currently completing its second year of reviews of *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53). He noted that AG 53 is broad and covers AAT for life insurers, but he noted that the Task Force's primary focus in the process has been on the work involved with reinsurance, primarily focused on where this may affect the EU Covered Agreement and the UK Covered Agreement. He noted that a wide range of people are working on this project, including actuaries from the NAIC and regulators from several states, including actuaries, investment experts, and financial staff. Stultz said that other subject matter experts (SMEs) from the NAIC are brought in when needed and that the work being performed is regulator-only.

Stultz noted that the Valuation Analysis (E) Working Group sent two referrals to the Statutory Accounting Principles (E) Working Group at the 2023 Fall National Meeting, and as a result, a referral that summarizes both issues was then sent to the Task Force. The first referral recommends that the Working Group remove a specific sentence from Appendix A-791, Section 2C, because it is unnecessary and is being misinterpreted. The second referral requests clarification on the evaluation of risk transfer on life reinsurance treaties. He stated that these referrals are being addressed by the Statutory Accounting Principles (E) Working Group.

Stultz noted that the Statutory Accounting Principles (E) Working Group is also working on a project that proposes to expand reporting of assets that are subject to a funds withheld or modified coinsurance (modco) arrangement and that an agenda item will be exposed at the Spring National Meeting. Additionally, the Statutory Accounting Principles (E) Working Group received a referral from the Financial Analysis (E) Working Group that recommended a project that focuses on investment concentrations with affiliated and related parties and that a new agenda item is planned for the Spring National Meeting.

6. Heard Discussion of a Reinsurance Contract Question

Chou noted that he had received some questions regarding a reinsurance transaction where Appendix A-791 of the *Accounting Practices and Procedures Manual* (AP&P) is not being applied consistently.

Sheldon Summers (Claire Thinking Inc.) introduced slides (Attachment One) and provided background information and discussion on the transactions and the implications of the various outcomes where Appendix A-791, Section 2.e., is applied inconsistently, noting that Appendix A-791 covers life and health reinsurance risk transfer requirements and specifies conditions which would result in disallowance of reinsurance credit under a reinsurance agreement. He noted that the question is about situations where the reinsurance agreement involves a possible payment by the ceding insurer to the reinsurer of amounts other than from income realized from the reinsured policies, and whether it is improper for a ceding insurer to pay reinsurance premiums or other fees or charges to a reinsurer that are greater than the direct premiums collected by the ceding insurer.

Chou requested that any regulators or interested parties who have thoughts on this subject contact him after the Task Force meeting.

Alton asked if this topic should be discussed at the Statutory Accounting Principles (E) Working Group. Stultz stated that since this was a reinsurance topic, this Task Force was an appropriate place to discuss this topic since it is an open forum but that it could be discussed at the Statutory Accounting Principles (E) Working Group as needed.

Having no further business, the Reinsurance (E) Task Force adjourned.

[https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member Meetings/E CMTE/RTF/2025SpringNM/Minutes/0 ReinsuranceTFmin 03.04.2025.docx](https://naiconline.sharepoint.com/sites/NAICSupportStaffHub/Member%20Meetings/E%20CMTE/RTF/2025SpringNM/Minutes/0%20ReinsuranceTFmin%2003.04.2025.docx)

Adopted by the Executive (EX) Committee and Plenary, Pending, 2025

Adopted by the Financial Condition (E) Committee, Pending, 2025

Adopted by the Reinsurance (E) Task Force, Pending, 2025

2026 Proposed Charges

The **Reinsurance (E) Task Force** will:

- a. Provide a forum for the consideration of reinsurance-related issues of public policy.
- b. Oversee the activities of the Reinsurance Financial Analysis (E) Working Group.
- c. Coordinate with the Mutual Recognition of Jurisdictions (E) Working Group on matters regarding reinsurance.
- d. Communicate and coordinate with the Federal Insurance Office (FIO), other federal authorities, and international regulators and authorities on matters pertaining to reinsurance.
- e. Monitor reinsurance-related activities of other task forces and working groups at the NAIC.
- f. Consider any other issues related to 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 (NRRRA) 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 United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” (EU Covered Agreement) and the “Bilateral Agreement Between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance” (UK Covered Agreement).

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 or Reciprocal Jurisdiction 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 or reciprocal jurisdiction reinsurers.
- e. Provide analytical expertise and support to the states with respect to certified reinsurers, reciprocal jurisdiction reinsurers, and applicants.
- f. Provide advisory support with respect to issues related to the determination of qualified jurisdictions.
- g. Ensure the public passporting website remains current.

Paige D. Waters
D 312.443.1815
F 312.896.6715
paige.waters@troutman.com

July 14, 2025

NAIC Reinsurance Task Force
Attn: Daniel Schelp, Chief Counsel, Regulatory Affairs Legal

Re: Proposed Ceded Unearned Premium Reserve Surety Bond for Unearned Premium
Reinsurance Collateral

Dear NAIC Reinsurance Task Force:

We represent Roosevelt Road Specialty (“RRS”), a national managing general agent that is duly authorized to transact business as required under applicable insurance laws. RRS has developed a new surety bond product designed to be issued by a highly-rated, duly licensed U.S. domestic property and casualty insurance company (the “Surety Bond Issuer”) to a duly licensed property and casualty ceding insurance company (a “Cedant”) on behalf of an unauthorized reinsurer (a “Reinsurer”) to provide a Cedant with credit for reinsurance for a limited portion of its reserves under applicable insurance laws. Specifically, this form of credit for reinsurance would be provided solely with respect to the Reinsurer’s obligation under a reinsurance agreement to return to the Cedant amounts ceded to the Reinsurer for an unearned premium reserve (“UEPR”) under a commercial property and casualty insurance policy (the “Unearned Premium Reinsurance Collateral Surety Bond”)¹.

The purpose of this letter is to facilitate the discussion with the National Association of Insurance Commissioners (“NAIC”) Reinsurance Task Force as to whether it views the Unearned Premium Reinsurance Collateral Surety Bond (which is described in more detail below) as the functional equivalent of an irrevocable letter of credit (“LOC”) under applicable credit for reinsurance insurance laws. RRS respectfully submits that it is the functional equivalent of a LOC because the Cedant, as the beneficiary of the Unearned Premium Reinsurance Collateral Surety Bond, would effectively sit in the same position as a beneficiary of a LOC issued by Surety Bond Issuer having the same or better financial condition and creditworthiness as an approved bank issuer of a LOC for the account of its obligor, the Reinsurer. Moreover, the NAIC Credit For Reinsurance Model Law Model 785 s 2(D) provides that insurance departments have authority to approve “any other form of security acceptable to the commissioner” that is not cash, a LOC or securities listed by the NAIC’s Securities Valuation Office. RRS (and the Surety Bond Issuers that have partnered with RRS referenced herein) views the Unearned Premium Reinsurance Collateral Surety Bond as

¹ In August 2024, RRS filed with the United States Patent and Trademark Office a utility patent application for the Unearned Premium Reinsurance Collateral Surety Bond.

providing sufficient protection to Cedants and allows Reinsurers the flexibility to use what would otherwise be the UEPR cash collateral posted by the Reinsurer in more efficient ways during a hard reinsurance market.

A. Need for and Benefits of Unearned Premium Reinsurance Collateral Surety Bond

The Unearned Premium Reinsurance Collateral Surety Bond would serve the following Unearned Premium Reinsurance Collateral market needs and provide the following benefits to both Cedants and Reinsurers with which Cedants would like to transact business:

- Reinsurance collateral options for Cedants and their reinsurance partners are limited to expensive fully collateralized LOCs, and the Unearned Premium Reinsurance Collateral would greatly expand the availability of reinsurance collateral to Cedants.
- The Unearned Premium Reinsurance Collateral Surety Bond would free up cash of a Reinsurer that would otherwise have to be encumbered to collateralize LOCs, improving the balance sheet and thus the credit risk of a Reinsurer.
- The Unearned Premium Reinsurance Collateral Surety Bond would reduce the risk of fraudulent LOCs that have received considerable global publicity during the past few years. The Unearned Premium Reinsurance Collateral Surety Bond would be issued by a Surety Bond Issuer over which insurance regulators have direct regulatory oversight and jurisdiction in contrast to a bank over which insurance regulators have no regulatory oversight and jurisdiction.

B. Detailed Description of Unearned Premium Reinsurance Collateral Surety Bond

Under the Unearned Premium Reinsurance Collateral Surety Bond, an Unearned Premium Reinsurance Collateral Surety Bond Issuer would be obligated to a Cedent to pay it the amounts of ceded unearned premium that a Reinsurer fails to pay when due for any reason (like a LOC) to a Cedent under a reinsurance agreement between these two parties. To make a claim under an Unearned Premium Reinsurance Collateral Surety Bond, a Cedent would only have to present a claim form to the Unearned Premium Reinsurance Collateral Surety Bond Issuer, very similar to a site draft presented under a LOC to its bank issuer. The only basis upon which an Unearned Premium Reinsurance Collateral Surety Bond Issuer could refuse to pay a claim would be fraud on the part of a Cedant, which is also similar to the ability of a LOC issuer to assert a fraud defense to a site draft.

The underwriting guidelines for the Unearned Premium Reinsurance Collateral Surety Bond include a review and analysis of the following key data:

- Reinsurer's investment guidelines for the ceded premiums paid by a Cedent to the Reinsurer for the ceded insurance policies' risks.

- Reinsurer's fixed income investments.
- Reinsurance agreement between a Cedent and the Reinsurer.
- Ceded insurance policies and their pricing.
- Current loss runs of a Cedent for the ceded insurance policies.
- Reinsurer's last three years audited statutory financial statements.
- Managing general agent contracts to which a Cedent is a party for the ceded insurance policies.

Presently, RRS has firm commitments from several, very high-quality surety bond insurers that are interested in being Unearned Premium Reinsurance Collateral Surety Bond Issuers, each of which is duly licensed and also a surety bond issuer certified by the U.S. Treasury Department:

Name of Insurer	Domiciliary State	Total Policyholders Surplus as of September 30, 2024	Total Net Admitted Assets as of September 30, 2024	Company Ratings
Federal Insurance Company, part of the Chubb group of insurance companies	Indiana	\$5,121,626,405	\$21,477,573,815	AM Best - A++ Fitch - AA Moody's - Aa2 S&P - AA
Endurance Assurance Corporation, part of Sampo U.S. Group	Delaware	\$4,771,494,383	\$20,701,485,075	AM Best - A+ Moody's - A1 S&P - A+
Swiss Re Corporate Solutions America Insurance Corporation	Missouri	\$4,332,836,362	\$4,386,022,253	AM Best - A+ S&P - AA-

Travelers Casualty and Surety Company of America	Connecticut	\$2,727,994,705	\$6,474,623,480	AM Best - A++ Fitch – AA Moody’s – Aa2 S&P - AA
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The Unearned Premium Reinsurance Collateral Surety Bond would be reported in Schedule F of a Cendant’s statutory financial statement similar to a LOC.

C. Why the Unearned Premium Reinsurance Collateral Surety Bond is a Functional Equivalent of a Letter of Credit

The Unearned Premium Reinsurance Collateral Surety Bond compares very favorably to a LOC that qualifies as reinsurance collateral used by many unauthorized reinsurers in the marketplace. Below is a chart that shows various requirements under the NAIC Credit For Reinsurance Model Regulation (Model 786) and the NAIC Credit For Reinsurance Model Law (Model 785) for a qualified LOC and how the Unearned Premium Reinsurance Collateral Surety Bond compares to those requirements.

NAIC Credit For Reinsurance Model Regulation (Model 786) & Credit For Reinsurance Model Law (Model 785)	Proposed Unearned Premium Reinsurance Collateral Surety Bond LOC Functional Equivalency
Collateral Requirements	
<p>Qualified U.S. Financial Institution LOC Issuer</p> <ul style="list-style-type: none"> LOC must be issued or confirmed by a qualified U.S. financial institution. Model 786 s 13. Organized and licensed, under laws of U.S. or a state Model 786 s 13 An assuming insurer is deemed to meet this requirement as of the time of its application if it maintains a surplus as regards policyholders in an amount not less than \$20,000,000 and its accreditation has not been denied by the commissioner 	<p>Unearned Premium Reinsurance Collateral Surety Bond Issuer:</p> <ul style="list-style-type: none"> Organized and supervised as an insurer by the state insurance department in Surety Bond issuer’s domiciliary state Licensed as admitted insurer in the Cedant’s domiciliary state Minimum of \$100 million of total policyholders surplus, which is five (5) times the minimum required trustee surplus of \$20 million A.M. Best Company rating not less than “A”

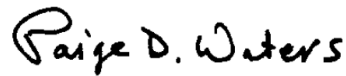
<p>within ninety (90) days after submission of its application. Credit For Reinsurance Model Law Model 785 s 2</p> <ul style="list-style-type: none"> The NAIC's Securities Valuation Office determines that financial institution meets financial condition standards considered necessary and appropriate to regulate quality of financial institution whose LOC will be acceptable to the Insurance Commissioner Credit For Reinsurance Model Law 3 	
<p>"Clean" LOC Model 786 s 13</p>	<p>Unearned Premium Reinsurance Collateral Surety Bond payable to Cedant with no documents, other than presentment of claim draw document, required to be presented to Surety Bond Issuer</p>
<p>"Irrevocable" LOC Model 786 s 13</p>	<p>Unearned Premium Reinsurance Collateral Surety Bond payable to Cedant even if it is in breach of reinsurance agreement</p>
<p>"Unconditional" LOC Model 786 s 13</p>	<p>Unearned Premium Reinsurance Collateral Surety Bond payable to Cedant with no documents, other than claim draw document, required to be presented to Surety Bond issuer</p>
<p>LOC must state that LOC issuer's payment obligation under LOC is not contingent upon reimbursement of LOC issuer Model 786 s 13</p>	<p>Unearned Premium Reinsurance Collateral Surety Bond form contains such statement</p>
<p>Term of LOC must be at least one (1) year and contain an evergreen clause that prevents expiration of the LOC without written notice from the issuer</p>	<p>Unearned Premium Reinsurance Collateral Surety Bond form contains such statement</p>
<p>LOC shall contain an issue date and expiration date and shall stipulate that the beneficiary need only draw a sight draft under</p>	<p>Unearned Premium Reinsurance Collateral Surety Bond form contains such statement</p>

the LOC and present it to obtain funds and that no other document need be presented. Model 786 s 13	
LOC must state that it is subject to and governed by laws of the state Model 786 s 13	Unearned Premium Reinsurance Collateral Surety Bond states is it governed by the law of a cedant's domiciliary state given that would be offered by an admitted surety bond issuer.
All drafts drawn on the LOC shall be presentable at a U.S. office of the LOC issuer Model 786 s 13	Unearned Premium Reinsurance Collateral Surety Bond form contains such statement
LOC must not contain references to any other agreement, documents or entities other than the applicable reinsurance agreement and reinsurer Model 786 s 13	The only agreement referenced in Unearned Premium Reinsurance Collateral Surety Bond is the applicable reinsurance agreement.
LOC's term must be at least one (1) year and must include an "evergreen clause" preventing expiration without notice from the issuer and requiring at least 30 days' prior notice before the expiration or nonrenewal date Model 786 s 13	Unearned Premium Reinsurance Collateral Surety Bond form contains such statement
Reinsurance Agreement Requirements	
Reinsurer and Cedant will agree that it can draw on LOC any time to pay/reimburse Cedant for permitted purposes: <ul style="list-style-type: none"> • Reinsurer's share of unearned premiums returned • Other amounts necessary to secure credit for reinsurance or reduction from liability for reinsurance 	Reinsurance agreement form contains agreement that Unearned Premium Reinsurance Collateral Surety Bond can be so drawn by Cedant: <ul style="list-style-type: none"> • Unearned Premium Reinsurance Collateral Surety Bond collateralizes only ceded unearned insurance premiums • Unearned Premium Reinsurance Collateral Surety Bond does not cover Cedant's losses incurred, or

	loss adjustment expenses incurred for claims made, under its reinsured insurance policies
LOC must be payable to cedant without diminution because of insolvency cedant or reinsurer	Unearned Premium Reinsurance Collateral Surety Bond provides that Surety Bond Issuer must pay Cedant regardless of insolvency of Cedant or Reinsurer

For the foregoing reasons, we believe that the Unearned Premium Reinsurance Collateral Surety Bond practically functions as the equivalent of a LOC for Unearned Premium Reinsurance Collateral purposes and respectfully request that the NAIC Reinsurance Task Force evaluate it as alternative means of providing credit for reinsurance under the NAIC Credit For Reinsurance Model Regulation (Model 786) and the NAIC Credit For Reinsurance Model Law (Model 785). Thank you for your consideration of this request.

Very truly yours,



Paige D. Waters

cc: Brian Casey, Troutman