

To: Chlora Lindley-Myers, Chair of the NAIC Reinsurance (E) Task Force and
Adrienne A. Harris, Vice Chair of the NAIC Reinsurance (E) Task Force

From: Marlene Caride, Commissioner, Financial Stability (E) Task Force Chair and
Bob Kasinow, Macroprudential (E) Working Group Chair

CC: NAIC Support Staff: Jake Stultz/Dan Schelp

Date: March 31, 2023

Re: Referral to review the Reinsurance Worksheet

The NAIC Macroprudential (E) Working Group (MWG) of the Financial Stability (E) Task Force (FSTF) requests comments and feedback from the Reinsurance (E) Task Force on the Reinsurance Worksheet.

The MWG was charged with coordinating the various NAIC activities related to private equity (PE) owned insurers. As an initial step, the MWG developed a list of 13 regulatory considerations. These considerations are frequently referenced as private equity (PE) concerns, but the Working Group developed the list with an activities-based frame of mind, recognizing that any ownership type and/or corporate structure could participate in these activities, including but not limited to PE owned insurers. The MWG and FSTF adopted a final plan for addressing each of the 13 considerations, including many referrals to other NAIC committee groups.

The Financial Condition (E) Committee adopted this plan with no changes during its virtual meeting on July 21, 2022. NAIC staff support drafted this referral letter to accomplish the actions captured in the adopted plan.

The Reinsurance Worksheet was created to address reinsurance activities in item 13 of the list of considerations. Please see a brief timeline of relevant discussions below.

NAIC staff support for the MWG will follow the work your group performs and summarize your activities for reporting up to the FSTF. If you have any questions or need further direction, please contact Tim Nauheimer (tnauheimer@naic.org).

Background:

The MWG itself has been tasked with addressing item 13 on the list of PE considerations (whereas most of the other items have been referred to other WG's). In its research efforts, MWG regulators have been engaged in confidential discussions with industry participants and other jurisdictions regarding the use of cross-border reinsurers and complex affiliated reinsurance vehicles. The MWG identified the reinsurance worksheet as a mechanism to assist regulators in reviewing reinsurance transactions.

Key points for the proposed reinsurance worksheet:

- Use by regulators is **optional**, it is **not required**,
- The worksheet originated from states currently using a similar form,
- May be used however a state sees fit-for any type of transaction or not at all,
- Is **not** being incorporated into the Financial Analysis Handbook,
- Is separate and apart from any other analysis, i.e., asset adequacy analysis, AG 53, cash flow testing, covered agreement impact, etc.

MWG Regulator discussion recap:

- The MWG met Jan. 18, Feb. 23, and Feb. 27 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) and paragraph 4 (internal or administrative matters of the NAIC or any NAIC member) of the NAIC Policy Statement on Open Meetings.
- On Jan. 18, the MWG met with the Cayman Islands Monetary Authority (CIMA) to discuss its regulatory regime.
- On Feb. 23, the MWG met with the Bermuda Monetary Authority (BMA) to hear an overview of its recently released public consultation on proposed enhancements to its regulatory regime, with comments by interested parties due April 30.
- On Feb. 27, the MWG discussed the attached reinsurance comparison worksheet designed for state insurance regulators to assess cross-border reinsurance treaties where there are different regulatory systems involved, which will enhance state insurance regulators' ability to monitor these transactions.
- On Mar. 22, the FSTF exposed the cross-border reinsurance worksheet for a 30-day public comment period.
- On Mar. 22, the FSTF made a motion to refer the Reinsurance Worksheet to the Reinsurance Task Force.