

2013 Spring National Meeting
Houston, TX

REINSURANCE (E) TASK FORCE

Monday, April 8, 2013

12:00 – 1:30 p.m.

Hilton Americas—Lanier Grand Ballroom D/E/F—Level 4

ROLL CALL

Michael F. Consedine, Chair	Pennsylvania	Monica J. Lindeen	Montana
John M. Huff, Vice Chair	Missouri	Bruce R. Range	Nebraska
Jay Bradford	Arkansas	Scott J. Kipper	Nevada
Dave Jones	California	Roger A Sevigny	New Hampshire
Thomas B. Leonardi	Connecticut	Kenneth E. Kobylowski	New Jersey
Karen Weldin Stewart	Delaware	Benjamin M. Lawsky	New York
Kevin M. McCarty	Florida	John D. Doak	Oklahoma
Ralph T. Hudgens	Georgia	Joseph Torti III	Rhode Island
Gordon I. Ito	Hawaii	Eleanor Kitzman	Texas
Andrew Boron	Illinois	Todd E. Kiser	Utah
Stephen W. Robertson	Indiana	Susan L. Donegan	Vermont
Sandy Praeger	Kansas	Jacqueline K. Cunningham	Virginia
James J. Donelon	Louisiana	Mike Kreidler	Washington
Eric A. Cioppa	Maine	Ted Nickel	Wisconsin
Mike Chaney	Mississippi		

AGENDA

1. Receive Report Regarding State Implementation of Revised Credit for Reinsurance Models—
Commissioner Michael F. Consedine (PA)
2. Discuss Draft Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions—
Commissioner Michael F. Consedine (PA) and Director John M. Huff (MO)
 - a. Revised Draft as of March 29 (Clean) Attachment One
 - b. Revised Draft as of March 29 (Redlined) Attachment Two
 - c. Comment Letters Received Regarding Exposure Draft Expedited Review Procedure Attachment Three
3. Receive Minutes from March 6 Conference Call of the Qualified Jurisdiction (E) Drafting Group—
Commissioner Michael F. Consedine (PA) Attachment Four
4. Receive Report from Reinsurance Financial Analysis (E) Working Group—*Steve Johnson (PA)* Attachment Five
5. Discuss Nonadmitted and Reinsurance Reform Act—*Commissioner Michael F. Consedine (PA)*
6. Receive Report on Referrals from Other NAIC Groups—*Ryan Couch (NAIC)*
7. Receive Report on International Reinsurance Issues—*Commissioner Michael F. Consedine (PA) and Ryan Couch (NAIC)*
8. Any Other Matters Brought Before the Task Force—*Commissioner Michael F. Consedine (PA)*
9. Adjournment

Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions

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I. Preamble

Purpose

The revised Credit for Reinsurance Model Law and Regulation require an assuming insurer to be licensed and domiciled in a Qualified Jurisdiction in order to be eligible for certification by a state as a certified reinsurer for reinsurance collateral reduction purposes. In 2012, the NAIC Reinsurance (E) Task Force was charged to develop an NAIC process to evaluate the reinsurance supervisory systems of non-U.S. jurisdictions, for the purposes of developing and maintaining a list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. The purpose of the Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions is to provide a documented evaluation process for creating and maintaining this NAIC list.

Background

On November 6, 2011, the NAIC Executive (EX) Committee and Plenary adopted revisions to the *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786). These revisions serve to reduce reinsurance collateral requirements for certified reinsurers that are licensed and domiciled in Qualified Jurisdictions. Under the previous version of the Credit for Reinsurance Models, in order for U.S. ceding insurers to receive reinsurance credit, the reinsurance was required to be ceded to U.S.-licensed reinsurers or secured by collateral representing 100% of U.S. liabilities for which the credit is recorded. When considering revisions to the Credit for Reinsurance Models, the Reinsurance Task Force contemplated establishing an accreditation-like process, modeled on the current NAIC Financial Regulation Standards and Accreditation Program, to review the reinsurance supervisory systems of non-U.S. jurisdictions. Under the revised models, the approval of Qualified Jurisdictions is left to the authority of the states; however, the models provide that a list of Qualified Jurisdictions will be created through the NAIC committee process, and individual states must consider this list when approving jurisdictions.

The enactment in 2010 of the Dodd-Frank Wall Street Reform and Consumer Protection Act created the Federal Insurance Office (FIO), which has the following authority: (1) coordinate Federal efforts and develop Federal policy on prudential aspects of international insurance matters; (2) assist the Secretary in negotiating covered agreements (as defined in the Dodd-Frank Act); (3) determine whether State insurance measures are preempted by covered agreements; and (4) consult with the States (including State insurance regulators) regarding insurance matters of national importance and prudential insurance matters of international importance. Further, the Dodd-Frank Act authorizes the U.S. Treasury Secretary and U.S. Trade Representative (USTR), jointly, to negotiate and enter into covered agreements on behalf of the United States. It is the NAIC's intention to communicate and coordinate with FIO and related federal authorities as appropriate with respect to the evaluation of the reinsurance supervisory systems of non-U.S. jurisdictions.

II. Principles for the Evaluation of Non-U.S. Jurisdictions

1. The NAIC model revisions applicable to certified reinsurers are intended to facilitate cross-border reinsurance transactions and enhance competition within the U.S. market, while ensuring that U.S. insurers and policyholders are adequately protected against the risk of insolvency. To be eligible for certification, a reinsurer must be domiciled and licensed in a Qualified Jurisdiction as determined by the domestic regulator of the ceding insurer.
2. The evaluation of non-U.S. jurisdictions will be in accordance with the provisions of the NAIC Credit for Reinsurance Model Law and Regulation, and any other relevant guidance developed by the NAIC.
3. The evaluation of non-U.S. jurisdictions is intended as an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards, and relevant international guidance for recognition of reinsurance supervision. It is not intended as a prescriptive comparison to the NAIC Accreditation Standards; however, in conducting the evaluation, review teams may look to the Administrative Policies Manual of the Financial Regulation Standards and Accreditation Program for guidance.
4. States shall evaluate the appropriateness and effectiveness of the reinsurance supervisory system within the jurisdiction, both initially and on an ongoing basis, and consider the rights, benefits and the extent of reciprocal recognition afforded by the jurisdiction to reinsurers licensed and domiciled in the U.S. The determination of a Qualified Jurisdiction is based on the effectiveness of the entire reinsurance supervisory system within the jurisdiction.
5. Each state may evaluate a non-U.S. jurisdiction to determine if it is a “Qualified Jurisdiction.” A list of Qualified Jurisdictions will be published through the NAIC Committee Process. A state must consider this list in its determination of Qualified Jurisdictions, and if the state approves a jurisdiction not on this list, the state must thoroughly document the justification for approving this jurisdiction in accordance with the standards for approving Qualified Jurisdictions contained in the model regulation. The creation of this list does not constitute a delegation of regulatory authority to the NAIC. The regulatory authority to recognize a Qualified Jurisdiction resides solely in each state and the NAIC List of Qualified Jurisdictions is not binding on the states.
6. An applicant to be a Qualified Jurisdiction must agree to share information and cooperate with the state with respect to all certified reinsurers domiciled within that jurisdiction. Critical factors in the evaluation process include but are not limited to the history of performance by assuming insurers in the applicant jurisdiction and any documented evidence of substantial problems with the enforcement of final U.S. judgments in the applicant jurisdiction. A jurisdiction will not be a Qualified Jurisdiction if the commissioner has determined that it does not adequately and promptly enforce final U.S. judgments or arbitration awards.
7. The determination of a Qualified Jurisdiction can only be made with respect to the supervisory regime in existence and applied by a non-U.S. jurisdiction at the time of the evaluation.
8. The NAIC and the states will communicate and coordinate with FIO, USTR and other relevant federal authorities as appropriate with respect to the evaluation of the reinsurance supervisory systems of non-U.S. jurisdictions.

III. Procedure for Evaluation of Non-U.S. Jurisdictions

1. Initiation of Evaluation of the Reinsurance Supervisory System of an Individual Jurisdiction.

- a. The NAIC will initially evaluate and expedite the review of those jurisdictions which were approved by the states of Florida and New York prior to the adoption of the revised Credit for Reinsurance Models: Bermuda, Germany, Switzerland and the United Kingdom. While the same evaluation process and methodology will be applicable to any jurisdiction under review, U.S. state insurance regulators' familiarity with these particular jurisdictions may lead to a more expeditious review process. Subsequent priority will be on the basis of objective factors including but not limited to ceded premium volume and reinsurance capacity issues raised by the states. Priority will also be given to requests from states and from those jurisdictions specifically requesting an evaluation by the NAIC.
- b. Formal notification of initiation of the evaluation process will be sent by the NAIC to the reinsurance supervisory authority in the jurisdiction selected. The NAIC will issue public notice on the NAIC website upon receipt of confirmation that the jurisdiction is willing to participate in the evaluation process. The process of evaluation and all related documentation are private and confidential matters between the NAIC and the applicant jurisdiction.
- c. Relevant U.S. state and federal authorities will be notified of the NAIC's decision to evaluate a jurisdiction.
- d. Expedited Review Procedure. Based upon the prior review and approval by Florida and New York of reinsurers domiciled in Bermuda, Germany, Switzerland and the United Kingdom, the NAIC has adopted an expedited review procedure with respect to these jurisdictions. This procedure is not intended to eliminate or reduce any element provided under Section IV: Evaluation Methodology, but is intended to allow for a designation of Conditional Qualified Jurisdiction of these jurisdictions in order to facilitate the certification of reinsurers domiciled therein. Final qualification of each jurisdiction will be contingent upon completion of the full, outcomes-based evaluation procedure.
- e. Upon receipt of confirmation that a jurisdiction is willing to be considered for designation as a Conditional Qualified Jurisdiction, the following expedited review procedure will apply:
 - i. The jurisdiction will provide the information requested within Sections C through G of the Evaluation Methodology. The Qualified Jurisdiction Working Group will perform an initial review of this information and the most recent Financial Sector Assessment Program (FSAP) country report, Report on Observance for Standards and Codes (ROSC), and any other publicly available information regarding the laws, regulations, practices and procedures applicable to the reinsurance supervisory system. Upon satisfactory completion of the initial review of this information by the Qualified Jurisdiction Working Group, the NAIC may designate the jurisdiction as a Conditional Qualified Jurisdiction, to be effective immediately.
 - ii. During this period as a Conditional Qualified Jurisdiction, the Qualified Jurisdiction Working Group will complete its full analysis of the information provided by the jurisdiction, in addition to any specific information that is subsequently requested by the NAIC, in order to evaluate the jurisdiction's laws, regulations, practices and procedures from an outcomes-based perspective in accordance with the guidance provided under Appendices A and B of the Evaluation Methodology. Upon satisfactory completion of the outcomes-based review of this information,

the NAIC may upgrade the jurisdiction's designation to Qualified Jurisdiction. The NAIC may also address any issues identified within the review or revoke the designation of Conditional Qualified Jurisdiction.

- iii. In no instance will a jurisdiction be permitted to maintain the designation of Conditional Qualified Jurisdiction for more than one year unless an extension is granted by the Qualified Jurisdiction Working Group.

2. Evaluation of Jurisdiction

- a. Evaluation Materials. The NAIC Qualified Jurisdiction Working Group will initiate evaluation of a jurisdiction's regulatory system by undertaking a review of the most recent Financial Sector Assessment Program (FSAP) country report, Report on Observance for Standards and Codes (ROSC), and any other publicly available information regarding the laws, regulations, practices and procedures applicable to the reinsurance supervisory system. The Working Group will also request that the applicant jurisdiction update any information, practices or laws that have changed since the date the identified documents were prepared and provide the information identified in Sections A—G of the Evaluation Methodology ("Evaluation Materials") to the extent the information is not contained in the identified documents.
- b. The Working Group will notify the jurisdiction of the information upon which the Working Group is relying. In that communication the NAIC will request that the supervisory authority compare the materials identified by the NAIC to the materials described in Appendices A & B, and provide information required to update the identified public information or supplement the public information, as required, to address the topics identified in Sections A through G of the Evaluation Methodology. The use of publicly available information like the FSAP and ROSC is intended to lessen the burden on applicant jurisdictions by requiring the production of information that is readily available, while still addressing substantive areas of inquiry detailed in the Evaluation Methodology. The Working Group's review at this stage will be focused on how the jurisdiction's laws, regulations, administrative practices and procedures, and regulatory authorities regulate the financial solvency of its domestic reinsurers in comparison to key principles underlying the U.S. financial solvency framework¹ and other factors set forth in the Evaluation Methodology.
- c. After reviewing the information provided by the jurisdiction in the Evaluation Materials, the Working Group may request that the applicant jurisdiction submit supplemental information as necessary in order to make a determination whether it is adequate to reasonably conclude whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. The Working Group will address specific questions directly with the jurisdiction related to items detailed in the Evaluation Methodology that are not addressed in the Evaluation Materials.
- d. The NAIC will request that all responses from the jurisdiction being evaluated be provided in English. Any responses submitted with respect to a jurisdiction's laws and regulations should be provided by a person qualified in such jurisdiction to provide legal advice to ensure that the jurisdiction is providing an accurate description.

¹ The U.S. financial solvency framework is understood to refer to the key elements provided in the NAIC Financial Regulation Standards and Accreditation Program. Appendices A & B are derived from this framework.

- e. The NAIC will request that the information be submitted within 60 days of receipt. Extensions for submitting the information will be considered as deemed appropriate.
- f. No specific company information shall be disclosed or disseminated during the course of the jurisdiction's evaluation unless specifically requested, subject to appropriate confidentiality safeguards.

3. NAIC Review of Evaluation Materials

- a. NAIC staff and/or outside consultants with the appropriate knowledge, experience and expertise will review the FSAP and ROSC reports and other public information along with the jurisdiction's Evaluation Materials.
- b. Initial cost with respect to the evaluations will be absorbed within the NAIC Budget.
- c. Timeline for review. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]
- d. Upon completing its review of the identified information, the internal reviewer(s) will report initial findings to the on-site review team, if an on-site review is determined to be appropriate, including any significant issues or concerns identified. This report will be included as part of the official documentation of the evaluation.
- e. Upon completing the on-site review of the supervisory authority's practices and procedures, the reviewer(s) will report its initial findings to the Working Group, including any significant issues or concerns identified. This report will include a description of the Evaluation Materials, and any updates or other information that have been provided by the applicant jurisdiction. This report will be included as part of the official documentation of the evaluation.

4. Discretionary On-site Review

- a. The NAIC may perform an on-site review of the supervisory authority's internal practices and procedures. Factors that will be considered in determining whether an on-site review is appropriate include the completeness of the information provided by the jurisdiction under review, the general familiarity of the jurisdiction by the NAIC staff or other state regulators participating in the review based on prior conduct or dealings with the jurisdiction and the results of other evaluations or audits performed by other regulatory or supervisory organizations. If the review is performed, it will be coordinated through the NAIC, utilizing personnel with appropriate knowledge, experience and expertise. Individual states may also request that representatives from their state be added to the review team.
- b. The review team will communicate with the supervisory authority in advance of the on-site visit to clearly identify the objectives, expectations and procedures with respect to the review, as well as any significant issues or concerns identified within the Self-Evaluation Report. Information to be considered during the on-site review includes, but is not limited to the following:
 - i. Review of examination reports and supporting workpapers and analytical reviews.
 - ii. Review of financial analysis and examination files for selected companies.
 - iii. Interviews with supervisory authority personnel.
 - iv. Review of organizational and personnel practices.

- v. Review of documentation regarding primary licensure applications for selected companies.
- vi. Gain an understanding of document and communication flows.
- c. Initial costs with respect to these evaluations will be absorbed within the NAIC Budget.
- d. Timeline for review. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]
- e. Upon completing the on-site review of the supervisory authority's practices and procedures, the reviewer(s) will report its initial findings to the NAIC Qualified Jurisdiction Working Group, including any significant issues or concerns identified. This report will be included as part of the official documentation of the evaluation.

5. Standard of Review

The evaluation is intended as an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards, and relevant international guidance for recognition of reinsurance supervision. The standard for qualification of a jurisdiction is that the NAIC must reasonably conclude that the jurisdiction's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is deemed acceptable for purposes of reinsurance collateral reduction, that the jurisdiction's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that the jurisdiction's laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models.

6. Additional Information to be Considered as Part of Evaluation

The NAIC will also consider other information from sources other than the jurisdiction under review. This information includes:

- a. Documents, reports and information from appropriate international, U.S. federal and state authorities.
- b. Public comments from interested parties.
- c. Rating agency information.
- d. Any other relevant information.

7. Preliminary Evaluation Report

- a. NAIC staff and/or outside consultants will prepare a Preliminary Evaluation Report for review by the Qualified Jurisdiction Working Group. This preliminary report will be confidential (i.e., may only be reviewed by Qualified Jurisdiction Working Group members, designated NAIC staff, consultants and states that specifically request to be kept apprised of this information.)
- b. The report will be prepared in a consistent style and format to be developed by NAIC staff. It will contain detailed advisory information and recommendations with respect to the evaluation of the jurisdiction's reinsurance supervisory system and the documented practices and procedures thereunder. The report will contain a recommendation as to whether the NAIC should recognize the jurisdiction as a Qualified Jurisdiction.

- c. All workpapers and reports produced as part of the evaluation process are the confidential property of the NAIC and shall be maintained at the NAIC Central Office.
- d. Timeline for review. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]

8. Review of Preliminary Evaluation Report

- a. The Qualified jurisdiction Working Group's review of the Preliminary Evaluation Report will be held in regulator-to-regulator session in accordance with the NAIC Policy Statement on Open Meetings.
- b. Timeline for review. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]
- c. Membership of the Qualified Jurisdiction Working Group. [Drafting Note: details to be developed based on direction by NAIC leadership.]
- d. The Qualified Jurisdiction Working Group will make a preliminary determination as to whether the jurisdiction under consideration satisfies the Standard of Review and is deemed acceptable to be included on the NAIC List of Qualified Jurisdictions. If the preliminary determination is that the jurisdiction should not be included on the NAIC List of Qualified Jurisdictions, the Qualified Jurisdiction Working Group will set forth its specific findings and identify those areas of concern with respect to this determination.
- e. The results of the Preliminary Evaluation Report will be immediately communicated in written form to the supervisory authority of the jurisdiction under review.

9. Opportunity to Respond to Preliminary Evaluation Report

- a. Upon receipt of the Preliminary Evaluation Report, the supervisory authority will have an opportunity to respond to the initial findings and determination. [Drafting Note: This is not intended to be a formal appeals process that would initiate U.S. state administrative due process requirements.]
- b. Timeline for response. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]
- c. The Qualified Jurisdiction Working Group will consider any response, and will proceed to prepare its Final Evaluation Report. The Qualified Jurisdiction Working Group will consider the Final Evaluation Report for approval in regulator-to-regulator session. This report will be approved upon an affirmative vote of a majority of the members in attendance at this meeting.
- d. Upon approval of the Final Evaluation Report, the Qualified Jurisdiction Working Group will issue a public statement and a summary of its findings with respect to its determination. The report will be confidential, provided that the report may be shared with any State indicating that it is considering relying on the NAIC list of Qualified Jurisdictions and has executed a confidentiality memorandum of understanding with the foreign jurisdiction.

10. NAIC Determination regarding List of Qualified Jurisdictions

- a. Once the Qualified Jurisdiction Working Group has adopted its Final Evaluation Report, it will submit the summary of its findings and its recommendation to the Reinsurance Task Force at an open meeting. Upon

approval by the Task Force, the summary and recommendation will be submitted to the NAIC Executive Committee and Plenary. Upon approval as a Qualified Jurisdiction by the Executive Committee and Plenary, the jurisdiction will be added to the NAIC List of Qualified Jurisdictions. The NAIC will maintain the List of Qualified Jurisdictions on its public website and other appropriate NAIC publications.

- b. In the event that a jurisdiction is not approved as a Qualified Jurisdiction, the supervisory authority will be eligible for reapplication at the discretion of the Qualified Jurisdiction Working Group.
- c. Upon final adoption of the Qualified Jurisdiction Working Group's determination with respect to a jurisdiction, the Final Evaluation Report will be made available to individual U.S. state insurance regulators upon request and confirmation that the information contained therein will remain confidential.

11. Memorandum of Understanding (MOU)

- a. A Qualified Jurisdiction must agree to share information and cooperate on a confidential basis with the U.S. state insurance regulatory authority with respect to all certified reinsurers domiciled within that jurisdiction.
- b. NAIC staff will create a template MOU to be used with each Qualified Jurisdiction. The MOU will be negotiated by the NAIC with the Qualified Jurisdiction, and any U.S. jurisdiction recognizing the Qualified Jurisdiction may be a signatory to the MOU.
- c. The MOU will also provide for appropriate confidentiality safeguards with respect to the information shared between the jurisdictions.
- d. The NAIC and the states will communicate and coordinate with FIO, USTR and other relevant federal authorities as appropriate with respect to the MOU process.

12. Process for Periodic Evaluation

- a. The process for determining whether a non-U.S. jurisdiction is a Qualified Jurisdiction is ongoing and subject to periodic review.
- b. Qualified Jurisdictions must provide the Qualified Jurisdiction Working Group with notice of any material change in the applicable reinsurance supervisory system that may affect the status of the Qualified Jurisdiction. U.S. jurisdictions may also provide the Qualified Jurisdiction Working Group with notice of any material change in the applicable reinsurance supervisory system that may affect the status of the Qualified Jurisdiction that have been provided to them by reinsurers certified by them. Upon receipt of any such notice of a material change, the Qualified Jurisdiction Working Group will consider whether it is necessary to re-evaluate the status of the Qualified Jurisdiction. [Drafting Note: Certified Reinsurers are required to provide this type of notice to certifying states. It is intended that the Reinsurance-FAWG will also be involved in this process.]

- c. Once approved, a Qualified Jurisdiction is subject to a full evaluation review every five (5) years. The Periodic Evaluation may follow a similar process as that set forth above, or such abbreviated process as the Qualified Jurisdiction Working Group may deem appropriate.
- d. If the Qualified Jurisdiction Working Group finds the jurisdiction to be out of compliance with the requirements to be a Qualified Jurisdiction, the specific reasons will be documented in a report to the jurisdiction under review, and the status as a Qualified Jurisdiction will be placed on probation, suspended or revoked.
- e. The Qualified Jurisdiction Working Group will monitor those jurisdictions that have been approved as Qualified Jurisdictions by individual states, but are not included on the NAIC List of Qualified Jurisdictions.

IV. Evaluation Methodology

The Evaluation Methodology was developed to be consistent with the provisions of the NAIC Credit for Reinsurance Model Law and Regulation. It is intended to provide an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards, and relevant international guidance for recognition of reinsurance supervision. Although the methodology includes a comparison of the jurisdiction's supervisory system to a number of key elements from the NAIC Accreditation Program, it is not intended as a prescriptive assessment under the NAIC Accreditation Standards. Rather, the NAIC Accreditation Standards simply provide the framework for the outcomes-based analysis. The NAIC will evaluate the appropriateness and effectiveness of the reinsurance supervisory system within the jurisdiction and consider the rights, benefits and the extent of reciprocal recognition afforded by the jurisdiction to reinsurers licensed and domiciled in the U.S. The determination of a Qualified Jurisdiction is based on the effectiveness of the entire reinsurance supervisory system within the jurisdiction.

The Procedure for Evaluation of Non-U.S. Jurisdictions provides that the NAIC Qualified Jurisdiction Working Group will review the most recent FSAP report, ROSC report, any other relevant information and any updates to this information with the jurisdiction's response to the Evaluation Materials. The information reviewed will consider the following areas of inquiry:

- Section A: Laws and Regulations
- Section B: Regulatory Practices and Procedures
- Section C: Jurisdiction's Requirements Applicable to U.S.-Domiciled Reinsurers
- Section D: Regulatory Cooperation and Information Sharing
- Section E: History of Performance of Domestic Reinsurers
- Section F: Enforcement of Final U.S. Judgments
- Section G: Solvent Schemes of Arrangement

Following completion of the Qualified Jurisdiction Working Group's evaluation of the Evaluation Materials, the NAIC may perform an on-site review of the supervisory authority's internal practices and procedures if such a visit is appropriate, and will review any other information relevant to the evaluation. This information will be the basis for the Final Evaluation Report and the determination of whether the jurisdiction will be included on the NAIC List of Qualified Jurisdictions.

Section A: Laws and Regulations

The NAIC will review information provided by an applicant jurisdiction with respect to its laws and regulations in an effort to evaluate whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. This will include a review of elements believed to be basic building blocks for sound insurance/reinsurance regulation.² A jurisdiction's effectiveness under Section A may be demonstrated through law, regulation, or established practice that implements the general authority granted to the jurisdiction, or any combination of laws, regulations or practices that meet the objective.

An applicant jurisdiction is requested to provide information to assist the NAIC in evaluating its laws and regulations. The NAIC will review this information in conjunction with Appendix A, which provides more detailed guidance with respect to elements the NAIC intends to consider on an outcomes basis in the evaluation under this Section. Appendix A is not intended as a prescriptive checklist of requirements a jurisdiction must meet in order to be a Qualified Jurisdiction. Rather, it is provided in an effort to facilitate an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program. An applicant jurisdiction is requested to provide the following information, which the NAIC will consider, at a minimum, in determining whether the outcomes achieved by the jurisdiction's laws and regulations meet an acceptable level of effectiveness for the jurisdiction to be included on the NAIC List of Qualified Jurisdictions:

1. The jurisdiction's most recent Detailed Assessment of Observance on Insurance Core Principles under the IMF/World Bank Financial Sector Assessment Program (FSAP), including relevant updates with respect to descriptions or elements of the FSAP report in which changes have occurred since the assessment or where information might otherwise be outdated.
2. The jurisdiction's Report on Observance for Standards and Codes (ROSC), including relevant updates with respect to descriptions or elements of the ROSC in which changes have occurred since the report was completed or where information might otherwise be outdated.
3. If materials responsive to the topics under review have been provided in response to information exchanges between the jurisdiction under review and the NAIC, such prior responses may be cross referenced provided updates are submitted, if required to address changes in laws or procedures.
4. Any other information, descriptions or responses the jurisdiction believes would be beneficial to the NAIC's evaluation process in order to address, on an outcomes basis, the key elements described within Appendix A.

The NAIC will review the information provided by the applicant jurisdiction and determine whether it is adequate to reasonably conclude whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. After reviewing the initial submission, the NAIC may request that the applicant jurisdiction submit supplemental information as necessary in order to make this determination. An applicant jurisdiction is strongly encouraged to provide thorough, detailed and current information in its initial submission in order to

² The basic considerations under this Section are derived from Model #786, Section 8.C(2), which include: (a) the framework under which the assuming reinsurer is regulated; (b) the structure and authority of the jurisdiction's reinsurance supervisory authority with regard to solvency regulation requirements and financial surveillance; (c) the substance of financial and operating standards for reinsurers domiciled in the jurisdiction; and (d) the form and substance of financial reports required to be filed or made publicly available by reinsurers domiciled in the jurisdiction and the accounting principles used.

minimize the number and extent of supplemental information requests from the NAIC with respect to Section A of this Evaluation Methodology. The NAIC will provide a complete description of the materials provided in the Evaluation Materials, and any updates or other information that have been provided by the applicant jurisdiction.

Section B: Regulatory Practices and Procedures

Section B is intended to facilitate an evaluation of whether the jurisdiction effectively employs base-line regulatory practices and procedures to supplement and support enforcement of the jurisdiction's financial solvency laws and regulations described in Section A. This evaluation methodology recognizes that variation may exist in practices and procedures across jurisdictions due to the unique situations each jurisdiction faces. Jurisdictions differ with respect to staff and technology resources that are available as well as the characteristics of the domestic industry regulated. A determination of effectiveness may be achieved using various financial solvency oversight practices and procedures. This evaluation is not intended to be prescriptive in nature.

The NAIC will utilize the information provided by the jurisdiction as outlined under Section A in completing this Section of the evaluation. The NAIC will review this information in conjunction with Appendix B, which provides more detailed guidance with respect to elements the NAIC intends to consider on an outcomes basis in the evaluation under this Section. Appendix B is not intended as a prescriptive checklist of requirements a jurisdiction must meet in order to be a Qualified Jurisdiction. Rather, it is provided in an effort to facilitate an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program. An applicant jurisdiction should also provide any other information, descriptions or responses the jurisdiction believes would be beneficial to the NAIC's evaluation process in order to address, on an outcomes basis, the key elements described within Appendix B.

Section C. Jurisdiction's Requirements Applicable to U.S. Domiciled Reinsurers

The jurisdiction is requested to provide a description and explanation of the rights, benefits and the extent of reciprocal recognition afforded by the non-U.S. supervisory authority to reinsurers licensed and domiciled in the U.S.

Section D. Regulatory Cooperation and Information Sharing

The Credit for Reinsurance Model Law requires the supervisory authority to share information and cooperate with the U.S. state insurance regulators with respect to all certified reinsurers domiciled within their jurisdiction. The jurisdiction is requested to provide an explanation of the supervisory authority's ability to cooperate, share information, and enter into an MOU with U.S. state insurance regulators and confirm that they are willing to enter into an MOU. This should include information with respect to any existing MOU with U.S. state or federal authorities that pertain to reinsurance. The NAIC and the states will communicate and coordinate with FIO, USTR and other relevant federal authorities as appropriate with respect to the MOU process.

Section E. History of Performance of Domestic Reinsurers

The jurisdiction is requested to provide a general description with respect to the historical performance of reinsurers domiciled in the jurisdiction. This discussion should address, at a minimum, the following information:

- a. Number of reinsurers domiciled in the jurisdiction.
- b. Any regulatory actions taken against specific reinsurers within the last 10 years.

- c. A list of any reinsurers that have gone through insolvency proceedings within the last 10 years, including the size of each insolvency and a description of the related outcomes (e.g., reinsurer rehabilitated or liquidated, payout percentage of claims to priority classes, payout percentage of claims to domestic and foreign claimants).
- d. Any significant industry-wide fluctuations in capital or profitability with respect to domestic reinsurers within the last 10 years.

Section F. Enforcement of Final U.S. Judgments

The jurisdiction is requested to provide a description or explanation of any restrictions with respect to the enforcement of final foreign judgments in the jurisdiction. The NAIC will make a determination upon the effectiveness of the ability to enforce final U.S. judgments in the jurisdiction. This will include a review of the status, interpretations, application and enforcement of various treaties, conventions and international agreements with respect to final judgments, arbitration and choice of law.

Section G. Solvent Schemes of Arrangement

The jurisdiction is requested to provide a description of any legal framework that allows reinsurers domiciled in the jurisdiction to propose or participate in any solvent scheme of arrangement or similar procedure. In addition, the jurisdiction is requested to provide a description of any solvent scheme of arrangement or similar procedure that a domestic reinsurer has proposed or participated in and the outcome of such procedure.

Appendices: Specific Guidance with respect to Key Elements under Sections A and B

It is important to note that Section A: Laws and Regulations and Section B: Regulatory Practices and Procedures are derived from the NAIC Financial Regulation Standards and Accreditation Program, which is intended to establish and maintain standards to promote sound insurance company financial solvency regulation among the U.S. states. As such, the NAIC Accreditation Program requires states to employ laws, regulations and administrative policies and procedures substantially similar to the NAIC Accreditation Standards in order to be considered an accredited state.

However, it is not the intent of this Evaluation Methodology to require applicant jurisdictions to meet the standards required by the NAIC for accreditation. Instead, Sections A and B and their corresponding appendices are intended to provide a framework under which an applicant jurisdiction may describe its supervisory regime in order to facilitate an outcomes-based evaluation by the NAIC and state insurance regulators. The amount of detail provided within these Appendices should not be interpreted as specific requirements that must be met by the applicant jurisdiction. Rather, the information is intended to provide direction to the applicant jurisdiction in an effort to facilitate a complete response and increase the efficiency and timeliness of the evaluation process. Further, to the extent the information requested in these Appendices is duplicative of information included in the (FSAP) and (ROSC), and any other publicly available information identified by the Working Group, the jurisdiction need not provide such information in response to the Evaluation Materials.

Appendix A: Key Elements with respect to Section A: Laws and Regulations

1. Examination Authority

A jurisdiction is requested to provide a description of its authority to examine its domestic reinsurers. This description should address the following key elements:

- a. Frequency and timing of examinations and reports.
- b. Guidelines for examination.
- c. Whether the jurisdiction has the authority to examine reinsurers whenever it is deemed necessary.
- d. Whether the jurisdiction has the authority to have complete access to the reinsurer's books and records and, if necessary, the records of any affiliated company, agent, and/or managing general agent.
- e. Whether the jurisdiction has the authority to examine officers, employees and agents of the reinsurer under oath when necessary with respect to transactions directly or indirectly related to the reinsurer under examination.
- f. Whether the jurisdiction has the authority to share confidential information with U.S. state insurance regulatory authorities, provided that the recipients are required, under their law, to maintain its confidentiality.
- g. Whether the jurisdiction has the authority to use and, if appropriate, make public any examination report.

2. Capital and Surplus Requirement

A jurisdiction is requested to provide a description of its ability to require that domestic reinsurers have and maintain a minimum level of capital and surplus to transact business. This description should address, at a minimum, the following key elements:

- a. Whether the jurisdiction has the authority to require reinsurers to maintain minimum capital and surplus, including a description of such minimum amounts. For example, U.S. states maintain fixed minimum capital requirements (statutes) relating to incorporation and licensing within the particular state that must be met.
- b. Whether the jurisdiction has the authority to require additional capital and surplus based upon the type, volume and nature of reinsurance business transacted.
- c. Capital requirements for reinsurers, including reports and a description of any specific levels of regulatory intervention.

3. Accounting Practices and Procedures

A jurisdiction is requested to provide a description of its authority to require domestic reinsurers to file appropriate financial statements and other financial information. This description should address, at a minimum, the following key elements:

- a. Description of the accounting and reporting practices and procedures.
- b. Description of any standard financial statement blank/reporting template, including description of content/disclosure requirements and corresponding instructions.

4. Corrective Action

A jurisdiction is requested to provide a description of its authority to order a reinsurer to take corrective action or cease and desist certain practices that, if not corrected or terminated, could place the reinsurer in a hazardous financial condition. This description should address, at a minimum, the following key elements:

- a. Identification of specific standards which may be considered to determine whether the continued operation of the reinsurer might be hazardous to the general public.
- b. Whether the jurisdiction has the authority to issue an order requiring the reinsurer to take corrective action when it has been determined to be in hazardous financial condition.

5. Regulation and Valuation of Investments

A jurisdiction is requested to provide a description of its authority with respect to regulation and valuation of investments. This description should address, at a minimum, the following key elements:

- a. The authority to require a diversified investment portfolio for all domestic reinsurers as to type, issue and liquidity.
- b. The authority to establish acceptable practices and procedures under which investments owned by reinsurers must be valued including a discussion of standards under which reinsurers are required to value securities/investments.

6. Holding Company Systems

A jurisdiction is requested to provide a description of its laws or regulations with respect to supervision of the group holding company systems of reinsurers. This description should address, at a minimum, the following key elements:

- a. Access to information via the parent or other regulated group entities about activities or transactions within the group involving other regulated or non-regulated entities that could have a material impact on the operations of the reinsurer.
- b. Whether the jurisdiction has access to consolidated financial information of a reinsurer's ultimate controlling person.
- c. Processes employed to review integrity and competency of management.
- d. Whether the jurisdiction has approval and intervention powers for material transactions and events involving reinsurers.
- e. Whether the jurisdiction has authority to monitor, or has prior approval authority over:
 - i. change in control of domestic reinsurers;
 - ii. dividends and other distributions to shareholders of the reinsurer; and/or
 - iii. material transactions with affiliates.

7. Risk Management

A jurisdiction is requested to provide a description of its authority to require its domestic reinsurers to maintain an effective risk management function and practices. This description should address, at a minimum:

- a. Own Risk and Solvency Assessment (ORSA) requirements and reporting.
- b. Any requirements regarding the maximum net amount of risk to be retained by a reinsurer for an individual risk based upon the reinsurer's capital and surplus.

- c. Whether the jurisdiction has authority to monitor enterprise risk, including any activity, circumstance, event or series of events involving one or more affiliates of a reinsurer that, if not remedied promptly, is likely to have a material adverse effect upon the financial condition or liquidity of the reinsurer or its insurance holding company system as a whole.
- d. Corporate Governance requirements.

8. Liabilities and Reserves

A jurisdiction is requested to provide a description of its minimum standards for the establishment of liabilities and reserves (technical provisions) resulting from reinsurance contracts. This description should address, at a minimum, the following key elements with respect to both life and non-life contracts:

- a. Liabilities incurred under reinsurance contracts for policy reserves, unearned premium, claims and losses unpaid, and incurred but not reported claims (including whether discounting is allowed for reserve calculation/reporting)
- b. Liabilities related to catastrophic occurrences
- c. Whether the jurisdiction requires an opinion on reserves and loss and loss adjustment expense reserves by a qualified actuary or specialist for all domestic reinsurers, including the frequency of such reports.

9. Reinsurance Ceded

A jurisdiction is requested to provide a description of its requirements with respect to the financial statement credit allowed for reinsurance retroceded by its domestic reinsurers. This description should address, at a minimum, the following key elements:

- a. Credit for reinsurance requirements applicable to reinsurance ceded to both domestic and non-domestic reinsurers.
- b. Collateral requirements applicable to reinsurance contracts.
- c. Whether the jurisdiction requires a reinsurance agreement to provide for true risk transfer, and if so, a description of the risk transfer requirements.
- d. Requirements applicable to special purpose reinsurance vehicles and insurance securitizations.
- e. Affiliated reinsurance transactions and concentration risk.
- f. Disclosure requirements specific to reinsurance transactions, agreements and counterparties, if such information is not provided under another item.

10. Independent Audits

A jurisdiction is requested to provide a description of its requirements applicable to annual audits of domestic reinsurers by independent certified public accountants or similar accounting/auditing professional recognized in the applicant jurisdiction. This description should address, at a minimum, the following key elements:

- a. Requirements for the filing of audited financial statements prepared in conformity with accounting practices prescribed or permitted by the supervisory authority.
- b. Contents of annual audited financial reports.
- c. Requirements for selection of auditor.
- d. Allowance of audited consolidated or combined financial statements.

- e. Notification of material misstatements of financial condition.
- f. Supervisor's access to auditor's work papers.
- g. Audit committee requirements.
- h. Requirements for reporting of internal control-related matters.

11. Receivership

A jurisdiction is requested to provide a description of the receivership scheme for the administration of reinsurers found to be insolvent. This should include a description of any liquidation priority afforded to policyholders and the liquidation priority of reinsurance obligations to domestic and non-domestic ceding insurers in the context of an insolvency proceeding of a reinsurer.

12. Filings with Supervisory Authority

The jurisdiction is requested to provide a description of the requirements applicable to filing of annual and interim financial statements with the supervisory authority. For example, U.S. state insurance regulators receive required financial reports from insurers on a regular basis that are the baseline for continual assessment of the insurer's risk and financial condition. This description should address, at a minimum, the following key elements:

- a. The use of standardized financial reporting in the financial statements to ensure comparability of results among reinsurers.
- b. The use of supplemental data to address concerns with specific companies or issues.
- c. Frequency of updates to any standardized format as necessary to incorporate significant, common reinsurer risks.
- d. Filing format (e.g., electronic data capture).
- e. The extent to which financial reports and information are public records.

13. Reinsurance Intermediaries

A jurisdiction is requested to provide a description of its regulatory framework for the regulation of reinsurance intermediaries.

14. Other Regulatory Requirements with respect to Reinsurers

A jurisdiction is requested to provide a description of any other information it deems necessary to adequately describe the effectiveness of the jurisdiction's laws and regulations with respect to its reinsurance supervisory system.

Appendix B: Key Elements with respect to Section B: Regulatory Practices and Procedures

1. Financial Analysis

A jurisdiction is requested to provide a description and explanation of its practices and procedures with respect to the financial analysis of its domestic reinsurers. Such description should address, at a minimum, the following key elements:

- a. Qualified Staff and Resources
The resources employed to effectively review the financial condition of all domestic reinsurers, including a description of the educational and experience requirements for staff responsible for financial analysis. For example, does staff responsible for analysis have a background in accounting, insurance/reinsurance, financial analysis or actuarial science?
- b. Communication of Relevant Information to/from Financial Analysis Staff
The process under which relevant information and data received by the supervisory authority are provided to the financial analysis staff and the process under which the findings of the financial analysis staff are communicated to the appropriate person(s).
- c. Supervisory Review
How the jurisdiction's internal financial analysis process provides for supervisory review and comment.
- d. Priority-Based Analysis
How the jurisdiction's financial analysis procedures are prioritized in order to ensure that potential problem reinsurers are reviewed promptly. Indicate whether the prioritization scheme utilizes factors as guidelines to assist in the consistent determination of priority designations, and include a description of such factors.
- e. Depth of Review
Include a description of how the jurisdiction's financial analysis procedures ensure that domestic reinsurers receive an appropriate level or depth of review commensurate with their financial strength and position.
- f. Documented Analysis Procedures
Include a description of how the jurisdiction has documented its financial analysis procedures and/or guidelines to provide for consistency and continuity in the process and to ensure that appropriate analysis procedures are being performed on each domestic reinsurer.
- g. Reporting of Material Adverse Findings
Describe the process for reporting material adverse indications, including the determination and implementation of appropriate regulatory action.
- h. Action on Material Adverse Findings
Whether the jurisdiction takes timely action in response to the reporting of any material adverse findings or adequately demonstrates the determination that no action was required.
- i. Early Warning System/Stress Testing
Describe any early warning system and/or stress testing methodology that is utilized by the jurisdiction with respect to its domestic reinsurers.

2. Financial Examinations

A jurisdiction is requested to provide a description and explanation of its practices and procedures with respect to the financial examinations of its domestic reinsurers. Such description should address, at a minimum, the following key elements:

- a. Qualified Staff and Resources
The resources employed to effectively examine all domestic reinsurers, including whether the jurisdiction prioritizes examination scheduling and resource allocation commensurate with the financial strength and position of each reinsurer. Please also include a description of the educational and experience requirements for staff responsible for financial examinations. For example, does staff responsible for conducting examinations have a background in accounting, insurance/reinsurance, financial analysis or actuarial science?
- b. Communication of Relevant Information to/from Examination Staff
The process under which relevant information and data received by the supervisory authority are provided to the examination staff and the process under which the findings of the examination staff are communicated to the appropriate person(s).
- c. Use of Specialists
Whether the supervisory authority's examination staff includes specialists with appropriate training and/or experience or otherwise have available qualified specialists, which will permit the supervisory authority to effectively examine any reinsurer. Are specialists utilized where appropriate given the complexity of the examination or identified financial concerns.
- d. Supervisory Review
Whether the supervisory authority's procedures for examinations provide for supervisory review of examination work-papers and reports to ensure that the examination procedures and findings are appropriate and complete and that the examination was conducted in an efficient and timely manner.
- e. Use of Appropriate Guidelines and Procedures
Description of the policies and procedures the supervisory authority employs for the conduct of examinations, including whether variations in methods and scope are commensurate with the financial strength and position of the reinsurer.
- f. Performance and Documentation of Risk-Focused Examinations
Does the supervisory authority perform and document risk-focused examinations, and if so, what guidance is utilized in conducting the examinations? Are variations in method and scope commensurate with the financial strength and position of the reinsurer.
- g. Scheduling of Examinations
Description of whether the supervisory authority's procedures provide for the periodic examination of all domestic reinsurers on a timely basis, including how the system prioritizes reinsurers that exhibit adverse financial trends or otherwise demonstrate a need for examination.
- h. Examination Reports
Description of the format in which the supervisory authority's reports of examinations are prepared, and how the reports are shared with other jurisdictions under information sharing agreements.
- i. Action on Material Adverse Findings
Whether the supervisory authority takes timely action in response to the reporting of any material adverse findings or adequately demonstrates the determination that no action was required.

3. Information Sharing

The jurisdiction is requested to provide a description of its process for the sharing of otherwise confidential documents, materials, information, administrative or judicial orders, or other actions with U.S. state regulatory officials, provided that the recipients are required, under their law, to maintain its confidentiality. States should then be permitted to share this confidential information with the NAIC. The jurisdiction is also requested to provide a description of its process for the sharing of such information with other supervisory authorities within the jurisdiction, as well as with other insurance supervisory or financial regulatory authorities from non-U.S. jurisdictions.

4. Procedures for Troubled Companies

Provide a description of the procedures the jurisdiction follows with respect to troubled reinsurers. Once the supervisory authority has identified a reinsurer as troubled or potentially troubled, does the supervisory authority take steps to address the identified concerns.

5. Organization, Licensing and Change of Control of Reinsurers

The focus of this section is on understanding the processes the supervisory authority uses to identify unlicensed or fraudulent activities. The description should address, at a minimum, the following key elements:

- a. Licensing Procedure. Whether the supervisory authority has documented licensing procedures that include a review and/or analysis of key pieces of information included in a primary licensure application.
- b. Staff and Resources. Provide a description of the educational and experience requirements for staff responsible for evaluating company licensing. For example, does staff responsible for analyzing applications have a background in accounting, insurance/reinsurance, financial analysis or actuarial science? Does the supervisory authority have sufficient resources to effectively review applications for licensure?
- c. Change in Control of a Domestic Reinsurer. Provide a description of any procedures for the review of key pieces of information included in filings with respect to change in control of a domestic reinsurer.

~~NAIC~~ Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions

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I. Preamble

Purpose

The revised Credit for Reinsurance Model Law and Regulation require an assuming insurer to be licensed and domiciled in a Qualified Jurisdiction in order to be eligible for certification by a state as a certified reinsurer for reinsurance collateral reduction purposes. In 2012, the NAIC Reinsurance (E) Task Force was charged to develop an NAIC process to evaluate the reinsurance supervisory systems of non-U.S. jurisdictions, for the purposes of developing and maintaining a list ~~that includes any such of~~ jurisdictions ~~that is recommended by the NAIC for~~ recognition by the states as ~~a Qualified Jurisdiction in accordance with the revised Credit for Reinsurance Model Law (#785) and Credit for Reinsurance Model Regulation (#786), under which an assuming insurer licensed and domiciled in a Qualified Jurisdiction is eligible to be considered for certification by a state as a certified reinsurer for reinsurance collateral reduction purposes.~~ The purpose of the ~~NAIC~~ Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions is to provide a documented evaluation process for creating and maintaining this NAIC list.

Background

On November 6, 2011, the NAIC Executive (EX) Committee and Plenary adopted revisions to the *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786). These revisions serve to reduce reinsurance collateral requirements for ~~non-U.S.-licensed-certified~~ reinsurers that are licensed and domiciled in Qualified Jurisdictions. Under the previous version of the Credit for Reinsurance Models, in order for U.S. ceding insurers to receive reinsurance credit, the reinsurance was required to be ceded to U.S.-licensed reinsurers or secured by collateral representing 100% of U.S. liabilities for which the credit is recorded. When considering revisions to the ~~e~~Credit for ~~r~~Reinsurance ~~m~~Models, the Reinsurance Task Force contemplated establishing an accreditation-like process, modeled on the current NAIC Financial Regulation Standards and Accreditation Program, to review the reinsurance supervisory systems of non-U.S. jurisdictions. Under the revised models, the approval of Qualified Jurisdictions is left to the authority of the states; however, the models provide that a list of Qualified Jurisdictions will be created through the NAIC committee process, and individual states must consider this list when approving jurisdictions.

The enactment in 2010 of the Dodd-Frank Wall Street Reform and Consumer Protection Act created the Federal Insurance Office (FIO), which has the following authority: (1) coordinate Federal efforts and develop Federal policy on prudential aspects of international insurance matters; (2) assist the Secretary in negotiating covered agreements (as defined in the Dodd-Frank Act); (3) determine whether State insurance measures are preempted by covered agreements; and (4) consult with the States (including State insurance regulators) regarding insurance matters of national importance and prudential insurance matters of international importance. Further, the Dodd-Frank Act authorizes the U.S. Treasury Secretary and U.S. Trade Representative (USTR), jointly, to negotiate and enter into covered agreements on behalf of the United States. It is the NAIC's intention to communicate and coordinate with FIO and related federal authorities as appropriate with respect to the evaluation of the reinsurance supervisory systems of non-U.S. jurisdictions.

II. Principles for the Evaluation of Non-U.S. Jurisdictions

1. The NAIC model revisions applicable to certified reinsurers are intended to facilitate cross-border reinsurance transactions and enhance competition within the U.S. market, while ensuring that U.S. insurers and policyholders are adequately protected against the risk of insolvency. To be eligible for certification, a reinsurer must be domiciled and licensed in a Qualified Jurisdiction as determined by the domestic regulator of the ceding insurer.
2. The evaluation of non-U.S. jurisdictions will be in accordance with the provisions of the NAIC Credit for Reinsurance Model Law and Regulation, and any other relevant NAIC guidance developed by the NAIC.
3. The evaluation of non-U.S. jurisdictions is intended as an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards, and relevant international guidance for recognition of reinsurance supervision. It is not intended as a prescriptive comparison to the NAIC Accreditation Standards; however, in conducting the evaluation, review teams may look to the Administrative Policies Manual of the Financial Regulation Standards and Accreditation Program for guidance.
4. States shall evaluate the appropriateness and effectiveness of the reinsurance supervisory system within the jurisdiction, both initially and on an ongoing basis, and consider the rights, benefits and the extent of reciprocal recognition afforded by the jurisdiction to reinsurers licensed and domiciled in the U.S. The determination of a Qualified Jurisdiction is based on the effectiveness of the entire reinsurance supervisory system within the jurisdiction.
5. Each state may evaluate a non-U.S. jurisdiction to determine if it is a “Qualified Jurisdiction.” A list of Qualified Jurisdictions will be published through the NAIC Committee Process. A state must consider this list in its determination of Qualified Jurisdictions, and if the state approves a jurisdiction not on this list, the state must thoroughly document the justification for approving this jurisdiction in accordance with the standards for approving Qualified Jurisdictions contained in the model regulation. The creation of this list does not constitute a delegation of regulatory authority to the NAIC. The regulatory authority to recognize a Qualified Jurisdiction resides solely in each state and the NAIC List of Qualified Jurisdictions is not binding on the states.
6. An applicant to be a Qualified Jurisdiction must agree to share information and cooperate with the state with respect to all certified reinsurers domiciled within that jurisdiction. Critical factors in the evaluation process include but are not limited to the history of performance by assuming insurers in the domiciliary applicant jurisdiction and any documented evidence of substantial problems with the enforcement of final U.S. judgments in the domiciliary applicant jurisdiction. A jurisdiction will not be a Qualified Jurisdiction if the commissioner has determined that it does not adequately and promptly enforce final U.S. judgments or arbitration awards.
7. The determination of a Qualified Jurisdiction can only be made with respect to the supervisory regime in existence and applied by a non-U.S. jurisdiction at the time of the evaluation.
8. The NAIC and the states will communicate and coordinate with FIO, USTR and other relevant federal authorities as appropriate with respect to the evaluation of the reinsurance supervisory systems of non-U.S. jurisdictions.

III. Procedure for Evaluation of Non-U.S. Jurisdictions

1. Initiation of Evaluation of the Reinsurance Supervisory System of an Individual Jurisdiction.

- a. The NAIC will initially evaluate and expedite the review of those jurisdictions which were approved by the states of Florida and New York prior to the adoption of the revised eCredit for Reinsurance Models: Bermuda, Germany, Switzerland and the United Kingdom. While the same evaluation process and methodology will be applicable to any jurisdiction under review, U.S. state insurance regulators' familiarity with these particular jurisdictions may lead to a more expeditious review process. Subsequent priority will be on the basis of objective factors including but not limited to ceded premium volume and reinsurance capacity issues raised by the states. Priority will also be given to requests from states and from those jurisdictions specifically requesting an evaluation by the NAIC.
- b. Formal notification of initiation of the evaluation process will be sent by the NAIC to the reinsurance supervisory authority in the jurisdiction selected. The NAIC will issue public notice on the NAIC website upon receipt of confirmation that the jurisdiction is willing to participate in the evaluation process. The process of evaluation and all related documentation are private and confidential matters between the NAIC and the applicant jurisdiction.
- c. Relevant U.S. state and federal authorities will be notified of the NAIC's decision to evaluate a jurisdiction.
- d. Expedited Review Procedure. Based upon the prior review and approval by Florida and New York of reinsurers domiciled in Bermuda, Germany, Switzerland and the United Kingdom, the NAIC has adopted an expedited review procedure with respect to these jurisdictions. This procedure is not intended to eliminate or reduce any element provided under Section IV: Evaluation Methodology, but is intended to allow for a designation of Conditional Qualified Jurisdiction of these jurisdictions in order to facilitate the certification of reinsurers domiciled therein. Final qualification of each jurisdiction will be contingent upon completion of the full, outcomes-based evaluation procedure.
- e. Upon receipt of confirmation that a jurisdiction is willing to be considered for designation as a Conditional Qualified Jurisdiction, the following expedited review procedure will apply:
 - i. The jurisdiction will provide the information requested within Sections C through G of the Evaluation Methodology. The Qualified Jurisdiction Working Group will perform an initial review of this information and the most recent Financial Sector Assessment Program (FSAP) country report, Report on Observance for Standards and Codes (ROSC), and any other publicly available information regarding the laws, regulations, practices and procedures applicable to the reinsurance supervisory system. Upon satisfactory completion of the initial review of this information by the Qualified Jurisdiction Working Group, the NAIC may designate the jurisdiction as a Conditional Qualified Jurisdiction, to be effective immediately.
 - ii. During this period as a Conditional Qualified Jurisdiction, the Qualified Jurisdiction Working Group will complete its full analysis of the information provided by the jurisdiction, in addition to any specific information that is subsequently requested by the NAIC, in order to evaluate the jurisdiction's laws, regulations, practices and procedures from an outcomes-based perspective in accordance with the guidance provided under Appendices A and B of the Evaluation Methodology. Upon satisfactory completion of the outcomes-based review of this information,

the NAIC may upgrade the jurisdiction's designation to Qualified Jurisdiction. The NAIC may also address any issues identified within the review or revoke the designation of Conditional Qualified Jurisdiction.

- ~~i.iii. In no instance will a jurisdiction be permitted to maintain the designation of Conditional Qualified Jurisdiction for more than one year unless an extension is granted by the Qualified Jurisdiction Working Group.~~

~~[Drafting Note: Input is requested with respect to the confidentiality requirements pertaining to this provision.]~~

2. Information Request to Supervisory Authority Evaluation of Jurisdiction

- ~~a. The NAIC will provide an information request (Self-Evaluation Report) to the supervisory authority with respect to the laws, regulations, practices and procedures applicable to the reinsurance supervisory system. This will be a self-evaluation process in which the supervisory authority provides the NAIC with a detailed description and explanation of how its laws, regulations, administrative practices and procedures, and any other regulatory authority regulate the financial solvency of its domestic reinsurers in comparison to key principles underlying the U.S. financial solvency framework and other factors set forth in the Evaluation Methodology section.~~

~~[Drafting Note: The U.S. financial solvency framework is understood to refer to the key elements provided in the NAIC Financial Regulation Standards and Accreditation Program.]~~

- ~~b. The NAIC will request that all responses from the jurisdiction being evaluated be provided in English. Any responses submitted with respect to a jurisdiction's laws and regulations will be supported by an independent opinion of counsel from the jurisdiction that they provide an accurate description.~~
- ~~c. The NAIC will request that the information be submitted within 60 days of receipt. Extensions for submitting the information will be considered as deemed appropriate.~~

- a. Evaluation Materials. The NAIC Qualified Jurisdiction Working Group will initiate evaluation of a jurisdiction's regulatory system by undertaking a review of the most recent Financial Sector Assessment Program (FSAP) country report, Report on Observance for Standards and Codes (ROSC), and any other publicly available information regarding the laws, regulations, practices and procedures applicable to the reinsurance supervisory system. The Working Group will also request that the applicant jurisdiction update any information, practices or laws that have changed since the date the identified documents were prepared and provide the information identified in Sections A—G of the Evaluation Methodology ("Evaluation Materials") to the extent the information is not contained in the identified documents.

- b. The Working Group will notify the jurisdiction of the information upon which the Working Group is relying. In that communication the NAIC will request that the supervisory authority compare the materials identified by the NAIC to the materials described in Appendices A & B, and provide information required to update the identified public information or supplement the public information, as required, to address the topics identified in Sections A through G of the Evaluation Methodology. The use of publicly available information like the FSAP and ROSC is intended to lessen the burden on applicant jurisdictions by requiring the production of information that is readily available, while still addressing substantive areas of inquiry detailed in the Evaluation Methodology. The Working Group's

review at this stage will be focused on how the jurisdiction's laws, regulations, administrative practices and procedures, and regulatory authorities regulate the financial solvency of its domestic reinsurers in comparison to key principles underlying the U.S. financial solvency framework¹ and other factors set forth in the Evaluation Methodology.

- c. After reviewing the information provided by the jurisdiction in the Evaluation Materials, the Working Group may request that the applicant jurisdiction submit supplemental information as necessary in order to make a determination whether it is adequate to reasonably conclude whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. The Working Group will address specific questions directly with the jurisdiction related to items detailed in the Evaluation Methodology that are not addressed in the Evaluation Materials.
- d. The NAIC will request that all responses from the jurisdiction being evaluated be provided in English. Any responses submitted with respect to a jurisdiction's laws and regulations should be provided by a person qualified in such jurisdiction to provide legal advice to ensure that the jurisdiction is providing an accurate description.
- e. The NAIC will request that the information be submitted within 60 days of receipt. Extensions for submitting the information will be considered as deemed appropriate.
- a.f. No specific company information shall be disclosed or disseminated during the course of the jurisdiction's evaluation unless specifically requested, subject to appropriate confidentiality safeguards.

3. NAIC Review of ~~Self-Evaluation Report~~ Evaluation Materials

- ~~a. The NAIC will first perform an internal review of a jurisdiction's Self Evaluation Report. This review will be performed by NAIC staff and/or outside consultants with the appropriate knowledge, experience and expertise.~~
- ~~b. [Drafting Note: Input is requested with respect to how costs associated with the evaluation process should be assessed.]~~
- ~~c. Standard for review. The evaluation is intended as an outcomes based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards, and relevant international guidance for recognition of reinsurance supervision. The standard for qualification of a jurisdiction is that the NAIC must reasonably conclude that the jurisdiction's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is deemed acceptable for purposes of reinsurance collateral reduction.~~
- ~~d. Timeline for review. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]~~
- ~~e. Upon completing its review of the Self Evaluation Report, the internal reviewer(s) will report its initial findings to the on-site review team, including any significant issues or concerns identified. This report will be included as part of the official documentation of the evaluation.~~

¹ The U.S. financial solvency framework is understood to refer to the key elements provided in the NAIC Financial Regulation Standards and Accreditation Program. Appendices A & B are derived from this framework.

- a. NAIC staff and/or outside consultants with the appropriate knowledge, experience and expertise will review the FSAP and ROSC reports and other public information along with the jurisdiction's Evaluation Materials.
- b. Initial cost with respect to the evaluations will be absorbed within the NAIC Budget.
- c. Timeline for review. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]
- d. Upon completing its review of the identified information, the internal reviewer(s) will report initial findings to the on-site review team, if an on-site review is determined to be appropriate, including any significant issues or concerns identified. This report will be included as part of the official documentation of the evaluation.
- e. Upon completing the on-site review of the supervisory authority's practices and procedures, the reviewer(s) will report its initial findings to the Working Group, including any significant issues or concerns identified. This report will include a description of the Evaluation Materials, and any updates or other information that have been provided by the applicant jurisdiction. This report will be included as part of the official documentation of the evaluation.

4. Review of Supervisory Authority's Practices and Procedures Discretionary On-site Review

- a. The NAIC ~~will next~~may perform an on-site review of the supervisory authority's internal practices and procedures. Factors that will be considered in determining whether an on-site review is appropriate include the completeness of the information provided by the jurisdiction under review, the general familiarity of the jurisdiction by the NAIC staff or other state regulators participating in the review based on prior conduct or dealings with the jurisdiction and the results of other evaluations or audits performed by other regulatory or supervisory organizations. This ~~If the review is performed, it~~ ~~review~~ will be coordinated through the NAIC, utilizing personnel with appropriate knowledge, experience and expertise. Individual states may also request that representatives from their state be added to the review team.
- b. The review team will communicate with the supervisory authority in advance of the on-site visit to clearly identify the objectives, expectations and procedures with respect to the review, as well as any significant issues or concerns identified within the Self-Evaluation Report. Information to be considered during the on-site review includes, but is not limited to the following:
 - i. Review of examination reports and supporting workpapers and analytical reviews.
 - ii. Review of financial analysis and examination files for selected companies.
 - iii. Interviews with ~~department~~supervisory authority personnel.
 - iv. Review of organizational and personnel practices.
 - v. Review of documentation regarding primary licensure applications for selected companies.
 - vi. Gain an understanding of document and communication flows.
- c. ~~[Drafting Note: Input is requested with respect to how costs associated with the evaluation process should be assessed]~~Initial costs with respect to these evaluations will be absorbed within the NAIC Budget.

~~d. Standard for review. The evaluation is intended as an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards, and relevant international guidance for recognition of reinsurance supervision. The standard for qualification of a jurisdiction is that the NAIC must reasonably conclude that the jurisdiction's demonstrated practices and procedures with respect to reinsurance supervision (1) are consistent with its reinsurance supervisory system, and (2) achieve a level of effectiveness in financial solvency regulation that is deemed acceptable for purposes of reinsurance collateral reduction.~~

~~e.d.~~ Timeline for review. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]

~~f.e.~~ Upon completing the on-site review of the supervisory authority's practices and procedures, the reviewer(s) will report its initial findings to the NAIC ~~_____~~ Committee Qualified Jurisdiction Working Group, including any significant issues or concerns identified. This report will be included as part of the official documentation of the evaluation. [~~Drafting Note: the NAIC body charged with overseeing this process has yet to be determined and will require direction from NAIC leadership.~~]

5. Standard of Review

The evaluation is intended as an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards, and relevant international guidance for recognition of reinsurance supervision. The standard for qualification of a jurisdiction is that the NAIC must reasonably conclude that the jurisdiction's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is deemed acceptable for purposes of reinsurance collateral reduction, that the jurisdiction's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that the jurisdiction's laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models.

5.6. Additional Information to be Considered as Part of Evaluation

The NAIC will also consider other information from sources other than the jurisdiction under review. This information includes:

- a. Documents, reports and information from ~~A~~ appropriate international, U.S. federal and state authorities.
- ~~b. Financial Sector Assessment Program (FSAP).~~
- ~~e.b.~~ Public comments from interested parties.
- ~~d.c.~~ Rating agency information.
- ~~e.d.~~ Any other relevant information.

6.7. Preliminary Evaluation Report

- a. NAIC staff and/or outside consultants will prepare a Preliminary Evaluation Report for review by the ~~_____~~ Committee Qualified Jurisdiction Working Group. This preliminary report will be confidential (i.e., may only be reviewed by ~~_____~~ Committee Qualified Jurisdiction Working Group members, designated NAIC staff, consultants and states that specifically request to be kept apprised of this information.)

- b. The report will be prepared in a consistent style and format to be developed by NAIC staff. It will contain detailed advisory information and recommendations with respect to the evaluation of the jurisdiction's reinsurance supervisory system and the documented practices and procedures thereunder. The report will contain a recommendation as to whether the NAIC should recognize the jurisdiction as a Qualified Jurisdiction.
- c. All workpapers and reports produced as part of the evaluation process are the confidential property of the NAIC and shall be maintained at the NAIC Central Office.
- d. Timeline for review. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]

7.8. NAIC ~~Committee~~ Review of Preliminary Evaluation Report

- a. ~~[Drafting Note: The NAIC body charged with overseeing this process has yet to be determined and will require direction from NAIC leadership.]~~
- b.a. The ~~Committee's~~ Qualified Jurisdiction Working Group's review of the Preliminary Evaluation Report will be held in regulator-to-regulator session in accordance with the NAIC Policy Statement on Open Meetings.
- e.b. Timeline for review. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]
- d.c. Membership of the ~~Committee~~ Qualified Jurisdiction Working Group. [Drafting Note: details to be developed based on direction by NAIC leadership.]
- e.d. The ~~NAIC Committee~~ Qualified Jurisdiction Working Group will make a preliminary determination as to whether the ~~supervisory authority achieves a level of effectiveness in financial solvency regulation that~~ jurisdiction under consideration satisfies the Standard of Review and is deemed acceptable to be included on the NAIC List of Qualified Jurisdictions. If the preliminary determination is that the jurisdiction should not be included on the NAIC List of Qualified Jurisdictions, the ~~NAIC Committee~~ Qualified Jurisdiction Working Group will set forth its specific findings and identify those areas of concern with respect to this determination.
- f.e. The results of the Preliminary Evaluation Report will be immediately communicated in written form to the supervisory authority of the jurisdiction under review.

8.9. Opportunity to Respond to Preliminary Evaluation Report

- a. Upon receipt of the Preliminary Evaluation Report, the supervisory authority will have an opportunity to respond to the initial findings and determination. [Drafting Note: This is not intended to be a formal appeals process that would initiate U.S. state administrative due process requirements.]
- b. Timeline for response. [Drafting Note: A project management approach will be developed with respect to the overall timeline applicable to this process.]
- c. The ~~Committee~~ Qualified Jurisdiction Working Group will consider any response, and will proceed to prepare its Final Evaluation Report. The ~~Committee~~ Qualified Jurisdiction Working Group will

consider the Final Evaluation Report for approval in regulator-to-regulator session. This report will be approved upon an affirmative vote of a majority of the members in attendance at this meeting.

- d. Upon approval of the Final Evaluation Report, the ~~___Committee~~Qualified Jurisdiction Working Group will issue a public statement and a summary of its findings with respect to its determination. The report will be confidential, provided that the report may be shared with any State indicating that it is considering relying on the NAIC list of Qualified Jurisdictions and has executed a confidentiality memorandum of understanding with the foreign jurisdiction. ~~{Drafting Note: Input requested with respect to whether the Final Evaluation Report should be a public or confidential document.}~~

9.10. NAIC Determination regarding List of Qualified Jurisdictions

- a. Once the ~~___Committee~~Qualified Jurisdiction Working Group has adopted its Final Evaluation Report, it will submit the summary of its findings and its recommendation to the Reinsurance Task Force at an open meeting. Upon approval by the Task Force, the summary and recommendation will be submitted to the NAIC Executive Committee and Plenary. Upon approval as a Qualified Jurisdiction by the Executive Committee and Plenary, the jurisdiction will be added to the NAIC List of Qualified Jurisdictions. The NAIC will maintain the List of Qualified Jurisdictions on its public website and other appropriate NAIC publications.
- b. In the event that a jurisdiction is not approved as a Qualified Jurisdiction, the supervisory authority will be eligible for reapplication at the discretion of the ~~___Committee~~Qualified Jurisdiction Working Group.
- c. Upon final adoption of the ~~___Committee's~~Qualified Jurisdiction Working Group's determination with respect to a jurisdiction, the Final Evaluation Report will be made available to individual U.S. state insurance regulators upon request and confirmation that the information contained therein will remain confidential.

10.11. Memorandum of Understanding (MOU)

- a. A Qualified Jurisdiction must agree to share information and cooperate on a confidential basis with the ~~commissioner~~U.S. state insurance regulatory authority with respect to all certified reinsurers domiciled within that jurisdiction.
- b. NAIC staff will create a template MOU to be used with each Qualified Jurisdiction. The MOU will be negotiated by the NAIC with the Qualified Jurisdiction, and any ~~state~~U.S. jurisdiction recognizing the ~~jurisdiction as a~~ Qualified Jurisdiction may be a signatory to the MOU.
- c. The MOU will also provide for appropriate confidentiality safeguards with respect to the information shared between the jurisdictions.
- d. The NAIC and the states will communicate and coordinate with FIO, USTR and other relevant federal authorities as appropriate with respect to the MOU process.

11.12. Process for Periodic Evaluation

- a. The process for determining whether a non-U.S. jurisdiction is a Qualified Jurisdiction is ongoing and subject to periodic review.

- b. Qualified Jurisdictions must provide the ~~___Committee~~Qualified Jurisdiction Working Group with notice of any material change in the applicable reinsurance supervisory system that may affect the status of the Qualified Jurisdiction. U.S. jurisdictions may also provide the Qualified Jurisdiction Working Group with notice of any material change in the applicable reinsurance supervisory system that may affect the status of the Qualified Jurisdiction that have been provided to them by reinsurers certified by them. Upon receipt of any such notice of a material change, the ~~___Committee~~Qualified Jurisdiction Working Group will consider whether it is necessary to re-evaluate the status of the Qualified Jurisdiction. [Drafting Note: Certified Reinsurers are required to provide this type of notice to certifying states. It is intended that the Reinsurance-FAWG will also be involved in this process.]
- c. Once approved, a Qualified Jurisdiction is subject to a full evaluation review every five (5) years. The Periodic Evaluation ~~will~~may follow a similar process as that set forth above, or such abbreviated process as the Qualified Jurisdiction Working Group may deem appropriate.
- d. If the ~~___Committee~~Qualified Jurisdiction Working Group finds the jurisdiction to be out of compliance with the requirements to be a Qualified Jurisdiction, the specific reasons will be documented in a report to the ~~supervisory authority~~jurisdiction under review, and the status as a Qualified Jurisdiction will be placed on probation, suspended or revoked.
- e. The ~~___Committee~~Qualified Jurisdiction Working Group will monitor those jurisdictions that have been approved as Qualified Jurisdictions by individual states, but are not included on the NAIC List of Qualified Jurisdictions.

IV. Evaluation Methodology

The Evaluation Methodology was developed to be consistent with the provisions of the NAIC Credit for Reinsurance Model Law and Regulation. It is intended to provide an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards, and relevant international guidance for recognition of reinsurance supervision. Although the methodology includes a ~~description~~comparison of the jurisdiction's supervisory system ~~in comparison~~ to a number of key elements from the NAIC Accreditation Program, it is not intended as a prescriptive assessment under the NAIC Accreditation Standards. Rather, the NAIC Accreditation Standards simply provide the framework for the outcomes-based analysis. The NAIC will evaluate the appropriateness and effectiveness of the reinsurance supervisory system within the jurisdiction and consider the rights, benefits and the extent of reciprocal recognition afforded by the jurisdiction to reinsurers licensed and domiciled in the U.S. The determination of a Qualified Jurisdiction is based on the effectiveness of the entire reinsurance supervisory system within the jurisdiction.

The Procedure for Evaluation of Non-U.S. Jurisdictions provides that the NAIC Qualified Jurisdiction Working Group will review ~~the most recent FSAP report, ROSC report, any other relevant information and any updates to this information with the Self-Evaluation Report prepared by the~~ jurisdiction's response to the Evaluation Materials under evaluation. This Self-Evaluation Report will include information provided by the jurisdiction with respect to the following key areas. The information reviewed will consider the following areas of inquiry:

- Section A: Laws and Regulations
- Section B: Regulatory Practices and Procedures
- Section C: Jurisdiction's Requirements Applicable to U.S.-Domiciled Reinsurers
- Section D: Regulatory Cooperation and Information Sharing
- Section E: History of Performance of Domestic Reinsurers
- Section F: Enforcement of Final U.S. Judgments
- ~~Section G: Financial Sector Assessment Program (FSAP) Report~~
- Section HG: Solvent Schemes of Arrangement

Following completion of the ~~Self-Evaluation Report~~Qualified Jurisdiction Working Group's evaluation of the Evaluation Materials, the NAIC ~~will~~may perform an on-site review of the supervisory authority's internal practices and procedures if such a visit is appropriate, and will review any other information relevant to the evaluation. This information will be the basis for the Final Evaluation Report and the determination of whether the jurisdiction will be included on the NAIC List of Qualified Jurisdictions.

Section A: Laws and Regulations

~~Section A is intended to facilitate an evaluation of whether a jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. The Section A elements include those that are believed to be basic building blocks for sound insurance/reinsurance regulation. Considerations under this Section include, but are not limited to: the framework under which the assuming insurer is regulated; the structure and authority of the domiciliary regulator with regard to solvency regulation requirements and financial surveillance; the substance of financial and operating standards for reinsurers in the domiciliary jurisdiction; and, the form and substance of financial reports required to be filed or made publicly available by reinsurers in the domiciliary jurisdiction and the accounting principles used.~~

~~A jurisdiction's effectiveness under Section A may be demonstrated through law, regulation, or established practice, which implements the general authority granted to the jurisdiction, or any combination of laws, regulations or practices, which meet the objective. The jurisdiction will provide a description and explanation of the laws and regulations under which it supervises its domestic reinsurers with respect to the items included under this Section.~~

~~The NAIC will review information provided by an applicant jurisdiction with respect to its laws and regulations in an effort to evaluate whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. This will include a review of elements believed to be basic building blocks for sound insurance/reinsurance regulation.² A jurisdiction's effectiveness under Section A may be demonstrated through law, regulation, or established practice that implements the general authority granted to the jurisdiction, or any combination of laws, regulations or practices that meet the objective.~~

~~An applicant jurisdiction is requested to provide information to assist the NAIC in evaluating its laws and regulations. The NAIC will review this information in conjunction with Appendix A, which provides more detailed guidance with respect to elements the NAIC intends to consider on an outcomes basis in the evaluation under this Section. Appendix A is not intended as a prescriptive checklist of requirements a jurisdiction must meet in order to be a Qualified Jurisdiction. Rather, it is provided in an effort to facilitate an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program. An applicant jurisdiction is requested to provide the following information, which the NAIC will consider, at a minimum, in determining whether the outcomes achieved by the jurisdiction's laws and regulations meet an acceptable level of effectiveness for the jurisdiction to be included on the NAIC List of Qualified Jurisdictions:~~

- ~~1. The jurisdiction's most recent Detailed Assessment of Observance on Insurance Core Principles under the IMF/World Bank Financial Sector Assessment Program (FSAP), including relevant updates with respect to descriptions or elements of the FSAP report in which changes have occurred since the assessment or where information might otherwise be outdated.~~
- ~~2. The jurisdiction's Report on Observance for Standards and Codes (ROSC), including relevant updates with respect to descriptions or elements of the ROSC in which changes have occurred since the report was completed or where information might otherwise be outdated.~~

~~² The basic considerations under this Section are derived from Model #786, Section 8.C(2), which include: (a) the framework under which the assuming reinsurer is regulated; (b) the structure and authority of the jurisdiction's reinsurance supervisory authority with regard to solvency regulation requirements and financial surveillance; (c) the substance of financial and operating standards for reinsurers domiciled in the jurisdiction; and (d) the form and substance of financial reports required to be filed or made publicly available by reinsurers domiciled in the jurisdiction and the accounting principles used.~~

3. If materials responsive to the topics under review have been provided in response to information exchanges between the jurisdiction under review and the NAIC, such prior responses may be cross referenced provided updates are submitted, if required to address changes in laws or procedures.
4. Any other information, descriptions or responses the jurisdiction believes would be beneficial to the NAIC's evaluation process in order to address, on an outcomes basis, the key elements described within Appendix A.

The NAIC will review the information provided by the applicant jurisdiction and determine whether it is adequate to reasonably conclude whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. After reviewing the initial submission, the NAIC may request that the applicant jurisdiction submit supplemental information as necessary in order to make this determination. An applicant jurisdiction is strongly encouraged to provide thorough, detailed and current information in its initial submission in order to minimize the number and extent of supplemental information requests from the NAIC with respect to Section A of this Evaluation Methodology. The NAIC will provide a complete description of the materials provided in the Evaluation Materials, and any updates or other information that have been provided by the applicant jurisdiction.

Section B: Regulatory Practices and Procedures

~~Section B is intended to facilitate an evaluation of whether the jurisdiction effectively employs base-line regulatory practices and procedures to supplement and support enforcement of the jurisdiction's financial solvency laws and regulations described in Section A. This evaluation methodology recognizes that variation may exist in practices and procedures across jurisdictions due to the unique situations each jurisdiction faces. Jurisdictions differ with respect to staff and technology resources that are available as well as the characteristics of the domestic industry regulated. A determination of effectiveness may be achieved using various financial solvency oversight practices and procedures. This evaluation is not intended to be prescriptive in nature.~~

~~The jurisdiction will provide a description and explanation of the regulatory practices and procedures it employs in order to effectively supervise its domestic reinsurers with respect to the items included under this Section.~~

Section B is intended to facilitate an evaluation of whether the jurisdiction effectively employs base-line regulatory practices and procedures to supplement and support enforcement of the jurisdiction's financial solvency laws and regulations described in Section A. This evaluation methodology recognizes that variation may exist in practices and procedures across jurisdictions due to the unique situations each jurisdiction faces. Jurisdictions differ with respect to staff and technology resources that are available as well as the characteristics of the domestic industry regulated. A determination of effectiveness may be achieved using various financial solvency oversight practices and procedures. This evaluation is not intended to be prescriptive in nature.

The NAIC will utilize the information provided by the jurisdiction as outlined under Section A in completing this Section of the evaluation. The NAIC will review this information in conjunction with Appendix B, which provides more detailed guidance with respect to elements the NAIC intends to consider on an outcomes basis in the evaluation under this Section. Appendix B is not intended as a prescriptive checklist of requirements a jurisdiction must meet in order to be a Qualified Jurisdiction. Rather, it is provided in an effort to facilitate an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program. An applicant jurisdiction should also provide any other information, descriptions or responses the jurisdiction believes would be beneficial to the NAIC's evaluation process in order to address, on an outcomes basis, the key elements described within Appendix B.

Section C. Jurisdiction's Requirements Applicable to U.S. Domiciled Reinsurers

The jurisdiction ~~shall~~ is requested to provide a description and explanation of the rights, benefits and the extent of reciprocal recognition afforded by the non-U.S. ~~jurisdiction supervisory authority~~ to reinsurers licensed and domiciled in the U.S.

Section D. Regulatory Cooperation and Information Sharing

The ~~jurisdiction must agree~~ Credit for Reinsurance Model Law requires the supervisory authority to share information and cooperate with the U.S. state insurance regulators with respect to all certified reinsurers domiciled within their jurisdiction. The jurisdiction ~~shall~~ is requested to provide ~~a confirmation and an~~ explanation of the supervisory authority's ability to cooperate, share information, and enter into an MOU with U.S. state insurance regulators and confirm that they are willing to enter into an MOU. This should include information with respect to any existing MOU with U.S. state or federal authorities that pertain to reinsurance. The NAIC and the states will communicate and coordinate with FIO, USTR and other relevant federal authorities as appropriate with respect to the MOU process.

Section E. History of Performance of Domestic Reinsurers

The jurisdiction ~~shall~~ is requested to provide a general description with respect to the historical performance of reinsurers domiciled in the jurisdiction. This discussion should ~~include, but not be limited to, address, at a~~ minimum, the following information:

- a. Number of reinsurers domiciled in the jurisdiction.
- b. Any regulatory actions taken against specific reinsurers within the last 10 years.
- c. A list of any reinsurers that have gone through insolvency proceedings within the last 10 years, including the size of each insolvency and a description of the related outcomes (e.g., reinsurer rehabilitated or liquidated, payout percentage of claims to priority classes, payout percentage of claims to domestic and foreign claimants).
- d. Any significant industry-wide fluctuations in capital or profitability with respect to domestic reinsurers within the last 10 years.
- e. ~~Any solvent schemes of arrangement or similar procedures that a domestic reinsurer has proposed or participated in.~~

Section F. Enforcement of Final U.S. Judgments

The jurisdiction ~~shall~~ is requested to provide a description or explanation of any restrictions with respect to the enforcement of final foreign judgments in the ~~domiciliary~~ jurisdiction. The NAIC will make a determination upon the effectiveness of the ability to enforce final U.S. judgments in the jurisdiction. This will include a review of the status, interpretations, application and enforcement of various treaties, conventions and international agreements with respect to final judgments, arbitration and choice of law.

~~Section G. Financial Sector Assessment Program (FSAP) Report~~

~~The jurisdiction shall provide a copy of the most recent FSAP Report.~~

Section HG. Solvent Schemes of Arrangement

The jurisdiction ~~shall~~is requested to provide a description of any legal framework that allows reinsurers domiciled in the jurisdiction to propose or participate in any solvent scheme of arrangement or similar procedure. In addition, the jurisdiction is requested to provide a description of any solvent scheme of arrangement or similar procedure that a domestic reinsurer has proposed or participated in and the outcome of such procedure.

Appendices: Specific Guidance with respect to Key Elements under Sections A and B

It is important to note that Section A: Laws and Regulations and Section B: Regulatory Practices and Procedures are derived from the NAIC Financial Regulation Standards and Accreditation Program, which is intended to establish and maintain standards to promote sound insurance company financial solvency regulation among the U.S. states. As such, the NAIC Accreditation Program requires states to employ laws, regulations and administrative policies and procedures substantially similar to the NAIC Accreditation Standards in order to be considered an accredited state.

However, it is not the intent of this Evaluation Methodology to require applicant jurisdictions to meet the standards required by the NAIC for accreditation. Instead, Sections A and B and their corresponding appendices are intended to provide a framework under which an applicant jurisdiction may describe its supervisory regime in order to facilitate an outcomes-based evaluation by the NAIC and state insurance regulators. The amount of detail provided within these Appendices should not be interpreted as specific requirements that must be met by the applicant jurisdiction. Rather, the information is intended to provide direction to the applicant jurisdiction in an effort to facilitate a complete response and increase the efficiency and timeliness of the evaluation process. Further, to the extent the information requested in these Appendices is duplicative of information included in the (FSAP) and (ROSC), and any other publicly available information identified by the Working Group, the jurisdiction need not provide such information in response to the Evaluation Materials.

Appendix A: Key Elements with respect to Section A: Laws and Regulations

1. Examination Authority

A jurisdiction ~~shall is requested to~~ provide a description of its authority to examine its domestic reinsurers. This description should ~~include, but not be limited to, a discussion of~~ address the following key elements:

- a. Frequency and timing of examinations and reports.
- b. Guidelines for examination.
- c. ~~Whether the jurisdiction has the A~~ authority to examine reinsurers whenever it is deemed necessary.
- d. ~~Whether the jurisdiction has the A~~ authority to have complete access to the ~~company's reinsurer's~~ books and records and, if necessary, the records of any affiliated company, agent, and/or managing general agent.
- e. ~~Whether the jurisdiction has the A~~ authority to examine officers, employees and agents of the ~~company reinsurer~~ under oath when necessary with respect to transactions directly or indirectly related to the ~~company reinsurer~~ under examination.
- f. ~~Whether the jurisdiction has the authority Ability~~ to share confidential information with U.S. state insurance regulatory authorities, provided that the recipients are required, under their law, to maintain its confidentiality.
- g. ~~Whether the jurisdiction has the A~~ authority to use and, if appropriate, make public any examination report.

2. Capital and Surplus Requirement

A jurisdiction ~~shall is requested to~~ provide a description of its ability to require that domestic reinsurers have and maintain a minimum level of capital and surplus to transact business. This description should ~~include, but not be limited to, a discussion of~~ address, at a minimum, the following key elements:

- a. ~~Whether the jurisdiction has the A~~ authority to require reinsurers to maintain minimum capital and surplus, including a description of such minimum amounts. For example, U.S. states maintain fixed minimum capital requirements (statutes) relating to incorporation and licensing within the particular state that must be met.
- b. ~~Whether the jurisdiction has the A~~ authority to require additional capital and surplus based upon the type, volume and nature of reinsurance business transacted.
- c. Capital requirements for reinsurers, including reports and a description of any specific levels of regulatory intervention.

3. Accounting Practices and Procedures

A jurisdiction ~~shall is requested to~~ provide a description of its authority to require domestic reinsurers to file appropriate financial statements and other financial information. This description should ~~include, but not be limited to, a discussion of~~ address, at a minimum, the following key elements:

- a. Description of the accounting and reporting practices and procedures.
- b. Description of any standard financial statement blank/reporting template, including description of content/disclosure requirements and corresponding instructions.

4. Corrective Action

A jurisdiction ~~shall~~ is requested to provide a description of its authority to order a reinsurer to take corrective action or cease and desist certain practices that, if not corrected or terminated, could place the reinsurer in a hazardous financial condition. This description should ~~include, but not be limited to, a discussion of address, at a minimum,~~ the following key elements:

- a. Identification of specific standards which may be considered to determine whether the continued operation of the reinsurer might be hazardous to the general public.
- b. Whether the jurisdiction has the A authority to issue an order requiring the reinsurer to take corrective action when it has been determined to be in hazardous financial condition.

5. Regulation and Valuation of Investments

A jurisdiction is requested to provide a description of its authority with respect to regulation and valuation of investments. This description should address, at a minimum, the following key elements:

- a. The authority to require a diversified investment portfolio for all domestic reinsurers as to type, issue and liquidity.
- ~~a.b. A jurisdiction shall provide a description of its~~ The authority to establish acceptable practices and procedures under which investments owned by reinsurers must be valued. ~~This description should include, but not be limited to, including~~ a discussion of standards under which reinsurers are required to value securities/investments.

6. Holding Company Systems

A jurisdiction ~~shall~~ is requested to provide a description of its laws or regulations with respect to supervision of the group holding company systems of reinsurers. This description should ~~include, but not be limited to, a discussion of address, at a minimum,~~ the following key elements:

- a. Access to information via the parent or other regulated group entities about activities or transactions within the group involving other regulated or non-regulated entities that could have a material impact on the operations of the reinsurer.
- b. Whether the jurisdiction has access to C consolidated financial information of ~~the a reinsurer's~~ ultimate controlling person.
- ~~e. Corporate governance requirements.~~
- ~~d.c. Processes employed to review f~~ integrity and competency of management.
- ~~e. Rights of inspection (examination).~~
- ~~f.d. Whether the jurisdiction has A~~ approval and intervention powers for ~~certain material~~ transactions and events involving reinsurers.
- e. Whether the jurisdiction has authority to monitor, or has prior approval authority over:
 - i. change in control of domestic reinsurers;
 - ii. dividends and other distributions to shareholders of the reinsurer; and/or
 - iii. material transactions with affiliates.
- ~~g. Change in control of domestic reinsurers.~~
- ~~h. Dividends and other distributions to shareholders.~~
- ~~i. Transactions with affiliates/material transactions.~~

~~j. Enterprise risk, including any activity, circumstance, event or series of events involving one or more affiliates of a reinsurer that, if not remedied promptly, is likely to have a material adverse effect upon the financial condition or liquidity of the reinsurer or its insurance holding company system as a whole.~~

~~Investments in non-insurance subsidiaries.~~

7. Risk Management

A jurisdiction ~~shall~~ is requested to provide a description of its authority to require its domestic reinsurers to maintain an effective risk management function and practices. This description should ~~include, but not be limited to~~ address, at a minimum:

a. Own Risk and Solvency Assessment (ORSA) requirements and reporting.

b. Any requirements regarding the maximum net amount of risk to be retained by a reinsurer for an individual risk based upon the reinsurer's capital and surplus.

c. Whether the jurisdiction has authority to monitor enterprise risk, including any activity, circumstance, event or series of events involving one or more affiliates of a reinsurer that, if not remedied promptly, is likely to have a material adverse effect upon the financial condition or liquidity of the reinsurer or its insurance holding company system as a whole.

~~b.d. Corporate Governance requirements.~~

8. Investment Regulations

~~A jurisdiction shall provide a description of its authority to require a diversified investment portfolio for all domestic reinsurers both as to type, issue and liquidity. This description should include, but not be limited to, a discussion of the following key elements:~~

~~"External" limits (e.g., limiting the aggregate investment that may be made in a category of investments) for all types of investments.~~

~~"Internal" limits (e.g., limiting the amount that may be invested in any one business, issuer or risk) for all types of investments.~~

~~Authority to require reinsurers to limit or withdraw from certain investments or discontinue certain investment practices.~~

98. Liabilities and Reserves

A jurisdiction ~~shall~~ is requested to provide a description of its minimum standards for the establishment of liabilities and reserves (technical provisions) resulting from reinsurance contracts. This description should ~~include, but not be limited to, a discussion of~~ address, at a minimum, the following key elements with respect to both life and non-life contracts:

a. Liabilities incurred under reinsurance contracts for policy reserves, unearned premium, claims and losses unpaid, and incurred but not reported claims (including whether discounting is allowed for reserve calculation/reporting)

b. Liabilities related to catastrophic occurrences

c. ~~A jurisdiction shall provide a description of its requirements for~~ Whether the jurisdiction requires an opinion on reserves and loss and loss adjustment expense reserves by a qualified actuary or specialist for all domestic reinsurers, including the frequency of such reports.

109. Reinsurance Ceded

A jurisdiction ~~shall~~ is requested to provide a description of its requirements with respect to the financial statement credit allowed for reinsurance retroceded by its domestic reinsurers. This description should ~~include, but not be limited to, a discussion of~~ address, at a minimum, the following key elements:

- a. Credit for reinsurance requirements applicable to reinsurance ceded to both domestic and non-domestic reinsurers.
- b. Collateral requirements applicable to reinsurance contracts.
- c. Whether the jurisdiction requires a reinsurance agreement to provide for true risk transfer, and if so, a description of the ~~R~~ risk transfer requirements.
- d. Requirements applicable to special purpose reinsurance vehicles and insurance securitizations.
- e. Affiliated reinsurance transactions and concentration risk.
- f. Disclosure requirements specific to reinsurance transactions, agreements and counterparties, if such information is not provided under another item.

110. CPA-Independent Audits

A jurisdiction ~~shall~~ is requested to provide a description of its requirements applicable to annual audits of domestic reinsurers by independent certified public accountants or similar accounting/auditing professional recognized in the applicant jurisdiction. This description should ~~include, but not be limited to, a discussion of~~ address, at a minimum, the following key elements:

- a. Requirements for the filing of audited financial statements prepared in conformity with accounting practices prescribed or permitted by the ~~domiciliary supervisors~~ supervisory authority.
- b. Contents of annual audited financial reports.
- c. Requirements for selection of auditor.
- d. Allowance of audited consolidated or combined financial statements.
- e. Notification of material misstatements of financial condition.
- f. Supervisor's access to auditor's work papers.
- g. Audit committee requirements.
- h. Requirements for reporting of internal control-related matters.

111. Receivership

A jurisdiction ~~shall~~ is requested to provide a description of the receivership scheme for the administration of reinsurers found to be insolvent. This should include a description of ~~the any liquidation priority afforded to policyholders and the~~ liquidation priority of reinsurance obligations to domestic and non-domestic ceding insurers in the context of an insolvency proceeding of a reinsurer.

112. Filings with Supervisory Authority

The jurisdiction ~~shall~~ is requested to provide a description of the requirements applicable to filing of annual and interim financial statements with the supervisory authority. For example, U.S. state insurance regulators receive

required financial reports from insurers on a regular basis that are the baseline for continual assessment of the insurer's risk and financial condition. This description should ~~include, but not be limited to, a discussion of address, at a minimum,~~ the following key elements:

- a. The use of standardized financial reporting in the financial statements to ensure comparability of results among reinsurers.
- b. The use of supplemental data to address concerns with specific companies or issues.
- c. Frequency of updates to any standardized format as necessary to incorporate significant, common reinsurer risks.
- d. Filing format (e.g., electronic data capture).
- e. The extent to which financial reports and information are public records.

1413. Reinsurance Intermediaries

A jurisdiction ~~shall~~ is requested to provide a description of its regulatory framework for the regulation of reinsurance intermediaries.

15. Regulatory Authority

~~A jurisdiction shall provide a description of its regulatory framework for the organization and licensing of domestic reinsurers.~~

1614. Other Regulatory Requirements with respect to Reinsurers

A jurisdiction ~~shall~~ is requested to provide a description of any other information it deems necessary to adequately describe the effectiveness of the jurisdiction's laws and regulations with respect to its reinsurance supervisory system.

Appendix B: Key Elements with respect to Section B: Regulatory Practices and Procedures

1. Financial Analysis

A jurisdiction ~~shall~~ is requested to provide a description and explanation of its practices and procedures with respect to the financial analysis of its domestic reinsurers. Such description should ~~include, but not be limited to a discussion of~~ address, at a minimum, the following key elements:

a. Qualified Staff and Resources

The resources employed to effectively review the financial condition of all domestic reinsurers, including a description of the educational and experience requirements for staff responsible for financial analysis. For example, does staff responsible for analysis have a background in accounting, insurance/reinsurance, financial analysis or actuarial science?

b. Communication of Relevant Information to/from Financial Analysis Staff

The process under which relevant information and data received by the supervisory authority are provided to the financial analysis staff and the process under which the findings of the financial analysis staff are communicated to the appropriate person(s).

c. Supervisory Review

How the jurisdiction's internal financial analysis process provides for supervisory review and comment.

d. Priority-Based Analysis

How the jurisdiction's financial analysis procedures are prioritized in order to ensure that potential problem reinsurers are reviewed promptly. Indicate whether the prioritization scheme utilizes factors as guidelines to assist in the consistent determination of priority designations, and include a description of such factors.

e. Depth of Review

Include a description of how the jurisdiction's financial analysis procedures ensure that domestic reinsurers receive an appropriate level or depth of review commensurate with their financial strength and position.

f. Documented Analysis Procedures

Include a description of how the jurisdiction has documented its financial analysis procedures and/or guidelines to provide for consistency and continuity in the process and to ensure that appropriate analysis procedures are being performed on each domestic reinsurer.

g. Reporting of Material Adverse Findings

Describe the process for reporting material adverse indications, including the determination and implementation of appropriate regulatory action.

h. Action on Material Adverse Findings

Whether the jurisdiction takes timely action in response to the reporting of any material adverse findings or adequately demonstrates the determination that no action was required.

i. Early Warning System/Stress Testing

Describe any early warning system and/or stress testing methodology that is utilized by the jurisdiction with respect to its domestic reinsurers.

2. Financial Examinations

A jurisdiction ~~shall~~ is requested to provide a description and explanation of its practices and procedures with respect to the financial examinations of its domestic reinsurers. Such description should ~~include, but not be limited to, a discussion of~~ address, at a minimum, the following key elements:

a. Qualified Staff and Resources

The resources employed to effectively examine all domestic reinsurers, including whether the jurisdiction prioritizes examination scheduling and resource allocation commensurate with the financial strength and position of each reinsurer. Please also include a description of the educational and experience requirements for staff responsible for financial examinations. For example, does staff responsible for conducting examinations have a background in accounting, insurance/reinsurance, financial analysis or actuarial science?

b. Communication of Relevant Information to/from Examination Staff

The process under which relevant information and data received by the supervisory authority are provided to the examination staff and the process under which the findings of the examination staff are communicated to the appropriate person(s).

c. Use of Specialists

Whether the ~~jurisdiction's supervisory authority's~~ examination staff includes specialists with appropriate training and/or experience or otherwise have available qualified specialists, which will permit the supervisory authority to effectively examine any reinsurer. Are specialists utilized where appropriate given the complexity of the examination or identified financial concerns.

d. Supervisory Review

~~Include a description of how~~ Whether the ~~jurisdiction's supervisory authority's~~ procedures for examinations provide for supervisory review of examination work-papers and reports to ensure that the examination procedures and findings are appropriate and complete and that the examination was conducted in an efficient and timely manner.

e. Use of Appropriate Guidelines and Procedures

Description of the policies and procedures the ~~jurisdiction supervisory authority~~ employs for the conduct of examinations, including whether variations in methods and scope are commensurate with the financial strength and position of the reinsurer.

f. Performance and Documentation of Risk-Focused Examinations

Does the ~~jurisdiction supervisory authority~~ perform and document risk-focused examinations, and if so, what guidance is utilized in conducting the examinations? Are variations in method and scope ~~should be~~ commensurate with the financial strength and position of the reinsurer.

g. Scheduling of Examinations

Description of whether the ~~jurisdiction's supervisory authority's~~ procedures provide for the periodic examination of all domestic reinsurers on a timely basis, including how the system prioritizes reinsurers that exhibit adverse financial trends or otherwise demonstrate a need for examination.

h. Examination Reports

Description of the format in which the ~~jurisdiction's supervisory authority's~~ reports of examinations are prepared, and how the reports are shared with other jurisdictions under information sharing agreements.

~~i. Reporting of Material Adverse Findings~~

~~Describe the process for reporting material adverse findings, including the determination and implementation of appropriate regulatory action.~~

j.i. Action on Material Adverse Findings

Whether the ~~jurisdiction-supervisory authority~~ takes timely action in response to the reporting of any material adverse findings or adequately demonstrates the determination that no action was required.

3. Information Sharing

The jurisdiction ~~shall~~ is requested to provide a description of its process for the sharing of otherwise confidential documents, materials, information, administrative or judicial orders, or other actions with U.S. state regulatory officials, provided that the recipients are required, under their law, to maintain its confidentiality. States should then be permitted to share this confidential information with the NAIC. The jurisdiction is also requested to provide a description of its process for the sharing of such information with other supervisory authorities within the jurisdiction, as well as with other insurance supervisory or financial regulatory authorities from non-U.S. jurisdictions.

4. Procedures for Troubled Companies

Provide a description of the procedures the jurisdiction follows with respect to troubled reinsurers. Once the supervisory authority has identified a reinsurer as troubled or potentially troubled, does the supervisory authority take steps to address the identified concerns.

5. Organization, Licensing and Change of Control of ~~Domestic~~ Reinsurers

The focus of this section is on ~~strengthening financial regulation and the prevention of understanding the processes the supervisory authority uses to identify~~ unlicensed or fraudulent activities. The description should ~~include, but not be limited to, a discussion of address, at a minimum,~~ the following key elements:

- a. Licensing Procedure. ~~A jurisdiction should have~~ Whether the supervisory authority has documented licensing procedures that include a review and/or analysis of key pieces of information included in a primary licensure application.
- b. Staff and Resources. Provide a description of the ~~minimum~~ educational and experience requirements for ~~licensing staff responsible for evaluating company licensing, commensurate with the duties and responsibilities for analyzing company applications. For example, Does the~~ staff responsible for analyzing applications have a background in accounting, insurance/reinsurance, financial analysis or actuarial science? Does the ~~department-supervisory authority~~ have sufficient resources to effectively review applications for licensure?
- c. Scope of Procedures for Filings with respect to Change in Control of a Domestic Reinsurer. Provide a description of any procedures for the review of key pieces of information included in filings with respect to change in control of a domestic reinsurer.



Emily Micale
Counsel

March 22, 2013

Commissioner Michael F. Consedine,
Commissioner of the Pennsylvania Insurance Department &
NAIC Chair of the Reinsurance (E) Task Force

Director John M. Huff
Director of the Missouri Department of Insurance &
Leader of the NAIC Qualified Jurisdictions Drafting Group

Re: Discussion Draft 3/8/2013 – Procedure for Evaluation of Non-U.S. Jurisdictions: Expedited Review Procedure

Dear Commissioner Consedine & Director Huff,

The American Council of Life Insurers (ACLI) represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies represent over 90% of the assets and premiums of the U.S. life insurance and annuity industry.

During the Fall 2012 NAIC National Meeting, the Reinsurance (E) Task Force released its draft “Process for Developing and Maintaining the List of Qualified Jurisdictions” (Process). On March 8, 2013, the NAIC’s Reinsurance (E) Task Force’s Qualified Drafting Group released a one-page discussion draft on Expedited Review Procedure (Discussion Draft), as a supplement to the Process under Section III, Paragraph 1 “Procedure for Evaluation on Non-U.S. Jurisdictions”. The ACLI would like to offer its endorsement of this Expedited Review Procedure discussion draft in connection with its support of the NAIC’s Credit for Reinsurance Model Law and Model Regulation (#785 & #786 respectively). We appreciate the effort that the Task Force has made to address the concerns of our members, their parents, and their counterparties. We also believe that making this addition is in the best interests of state regulation, our policyholders, and our industry. Along with our general endorsement of the NAIC’s efforts to expedite review of jurisdictions as “Conditional Qualified Jurisdictions”, our members would like to offer the following technical comments on the NAIC’s Discussion Draft.

In Subparagraph III.1.d., “Expedited Review Procedure”, we recommend striking the first sentence of this paragraph. Although this sentence explains the Drafting Group’s reasoning for expediting the review of Bermuda, Germany, Switzerland and the United Kingdom, we feel that this reasoning was previously stated in Subparagraph III.1.a., and therefore redundant.

American Council of Life Insurers
101 Constitution Avenue, NW, Washington, DC 20001-2133
(202) 624-2344 t (202) 624-2000 f emilymicale@acll.com
www.acli.com

Secondly, we feel that Subparagraph III.1.e. should be a subsection of Subparagraph III.1.d., as it is a continuation and part of the Expedited Review Procedure. Therefore, the references for Subsections III.1.e.i.- iii. should be updated to reflect this change.

Once the first sentence of Subparagraph III.1.d. is removed, we would recommend the following revisions to the language of the second sentence of this Subparagraph III.1.d. as follows:

“The Expedited Review Procedure is not intended to eliminate or reduce any element provided under Section IV: Evaluation Methodology, but is intended to allow for a designation of Conditional Qualified Jurisdiction (after completion of the review set forth in subsection [NAIC to update cross-reference] below) of Bermuda, Germany, Switzerland, and the United Kingdom in order to facilitate the certification of reinsurers domiciled therein.”

We recommend revising Subparagraph III.1.e (as currently referenced) to replace “expedited review procedure” with “Expedited Review Procedure”, as it is a defined term by Subsection III.1.d.

We recommend revising Subsection III.1.e.iii. (as currently referenced) as follows:

“The designation of Conditional Qualified Jurisdiction is intended to be maintained for no more than one year.”

Finally, our members would also like to offer input on confidentiality requirements, as requested at the bottom of the Discussion Draft, “Drafting Note”. To reiterate our comment submitted to the overall Process, ACLI members question why the issue of confidentiality should be a factor in the evaluation of a foreign jurisdiction’s regulatory scheme. The evaluation is an inter-governmental examination of a reinsurance regulatory system. Therefore, no company information should be disclosed or disseminated during the course of a jurisdiction’s evaluation, except perhaps as an aggregate estimate of all reinsurers domiciled within that jurisdiction.

We value the time and effort that Reinsurance Task Force members and the NAIC Staff have devoted to drafting the Process of Developing and Maintaining the List of Qualified Jurisdictions. We appreciate your time and consideration of our comments and recommendations in addressing specific issues and related regulatory concerns about this new and important procedure affecting Credit for Reinsurance.

Very truly yours,



Emily Micale

Cc: Mr. Ryan Couch, NAIC, Sr. Accounting & Reinsurance Policy Advisor
Mr. Dan Schelp, NAIC, Managing Attorney



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March 22, 2013

Commissioner Michael F. Consedine
Commissioner, Pennsylvania Insurance Department
Chair of the NAIC Reinsurance (E) Task Force

Director John M. Huff
Director, Missouri Department of Insurance
Chair of the NAIC Qualified Jurisdictions Drafting Group

Via E-mail Ryan Couch and Dan Schelp

Re: March 8, 2013 Discussion Draft of Expedited Review Procedures

Dear Commissioner Consedine and Director Huff:

The American Insurance Association thanks you for the opportunity to comment on the March 8, 2013 discussion draft of the expedited review procedures for the Qualified Jurisdiction Drafting Group.

AIA supports the task force's provisions for expedited review procedures for Bermuda, Switzerland, Germany, and the United Kingdom to obtain Conditional Qualified Jurisdiction status. AIA understands that pursuant to the proposed expedited review, these four jurisdictions will be eligible to receive a provisional Qualified Jurisdiction status after successful completion of Sections C through H of Section IV of the qualified jurisdiction process. Those jurisdictions would then be required to successfully complete the full qualified jurisdiction review within one year of the grant of Conditional Qualified Jurisdiction status.

AIA, however, recommends that in addition to these four jurisdictions, the task force also permit other jurisdictions to qualify for expedited review and Conditional Qualified Jurisdiction status. It is critical that other countries that similarly feature well-regulated insurance systems with developed and effective insurance administration and solvency standards also be eligible for expedited review and Conditional Qualified Jurisdiction status. Otherwise, the proposed expedited review procedures could result in an unfair competitive advantage for those four jurisdictions to the detriment of other jurisdictions that feature effective insurance administration and solvency regulation. AIA recommends that the discussion draft be modified to allow either the foreign jurisdiction itself, or perhaps a specific reinsurer domiciled in that jurisdiction, to make a request that the jurisdiction be eligible for expedited review.

Thank you for your consideration of this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "S. A. Bennett", with a long horizontal flourish extending to the right.

Steven A. Bennett
Associate General Counsel
American Insurance Association



To: Mr. Michael F. Consedine
Chair of the NAIC Reinsurance Taskforce National Association of Insurance Commissioners

Your
reference: -

Our
reference: IAR-13-070

Subject: NAIC Expedited Review Procedure of Jurisdictions

Brussels, 22 March 2013

Dear Mr. Consedine,

Insurance Europe, the European insurance and reinsurance federation, based in Brussels, represents through its 34 member bodies — the national insurance associations — insurance and reinsurance undertakings, which account for around 95% of total European premium income. Insurance Europe appreciates this opportunity to provide comments on the draft Expedited Review Procedure with respect to the NAIC Process for Developing and Maintaining the List of Qualified Jurisdictions.

Insurance Europe welcomes the NAIC proposal to apply an Expedited Review Procedure to certain jurisdictions and the fact that these jurisdictions can eventually obtain Conditional Qualified Jurisdiction status and operate with a substantial collateral relief. However, we believe that other European jurisdictions with similar high standards of regulation and supervision; major ceded premium and which already provide (re)insurance to the US should also be prioritised.

For this reason, we urge the NAIC to clarify that the Expedited Review Procedure will also be available to jurisdictions which submit a written request to the NAIC and which have been assessed and approved by Florida or New York on or before December 2013 and demonstrate that have prudential (re)insurance regulation that achieves an equivalent level of protection for consumers to the level of protection achieved under Bermuda, Germany, Switzerland or the United Kingdom.

Concerning the designation of Conditional Qualified Jurisdictions, Insurance Europe believes that the NAIC should not limit the validity of the status to one year but maintain it until the full Expedited Review Procedure is completed.

In addition, Insurance Europe believes that the European Economic Area should ultimately be defined as a single jurisdiction, as European countries already benefit from a common regulatory system for reinsurance¹ which will be further enhanced when Solvency II enters into force.

Insurance Europe appreciates the consideration of our comments and would be glad to discuss the content of this letter with the NAIC.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Olav Jones".

Olav Jones
Director, Economics & Finance

c.c. Director John M. Huff , Chair of the Qualified Jurisdiction Drafting Group

¹ Reinsurance Directive (EC) 2005/68

JOSEPH P. GUNSET
General Counsel

March 19, 2013

Via Email

The Honorable Michael F. Consedine
Commissioner, Pennsylvania Insurance Department
Chairman, NAIC Reinsurance Task Force

Re: Exposure Draft - Qualified Jurisdictions Expedited Review Procedure

Dear Commissioner Consedine:

This comment letter is submitted on behalf of Lloyd's of London ("Lloyd's") in response to the Draft Expedited Review Procedure for granting Qualified Jurisdiction status (the "Draft") which was circulated for comment via email on March 8. We would like to thank the Reinsurance Task Force ("RTF") for its commitment to implementing the revisions to the NAIC Model Credit for Reinsurance Law and Regulation. Lloyd's welcomes the Expedited Review Procedure as a positive step towards streamlining the jurisdictional review and making the process as efficient as possible.

As we noted in our comment letter of January 16, 2013, we encourage the RTF, as much as possible, to rely on and make use of the many analyses and materials that have been produced for other regulatory bodies and forums. We believe that this comment is applicable to many sections of the review, not just Sections A and B. In particular, the issue of enforcement of US judgments is not new and was previously explored extensively by the RTF itself.

Sincerely,



cc: Ryan Couch, Senior Accounting & Reinsurance Policy Advisor, NAIC
Daniel Schelp, Managing Counsel, NAIC
Stephen Johnson, Pennsylvania Insurance Department



Property Casualty Insurers
Association of America
Advocacy. Leadership. Results.

Robert W. Woody
Senior Counsel, Policy

March 22, 2013

Mr. Ryan Couch
National Association of Insurance Commissioners
1100 Walnut Street
Suite 1500
Kansas City, MO 64106

RE: Expedited Review Process – Qualified Jurisdictions

Dear Ryan:

PCI is pleased to offer the following comments on the Reinsurance Task Force draft procedures for designating Qualified Jurisdictions.

PCI has no objection to an expedited review procedure for the United Kingdom, Bermuda, Switzerland, and Germany. However, we suggest that Section C of the proposal be strengthened to read as follows, both respect to the expedited and regular review processes:

“The jurisdiction shall provide a thorough and comprehensive description and explanation of the rights, benefits and the extent of reciprocal recognition afforded by the non-U.S. jurisdiction to reinsurers licensed and domiciled in the U.S. “

The Task Force might also consider whether substituting the term “mutual treatment” for “reciprocal recognition” would provide clearer guidance to non-U.S. jurisdictions.

PCI also suggests that the procedures clearly state that third parties will be given notice and an opportunity to comment on any materials filed by a non-U.S. jurisdiction describing that jurisdiction’s treatment of U.S. reinsurers.

Finally, we note that a PCI member has suggested separately to the Task Force that non-U.S. jurisdictions applying for qualified status be required to timely initiate a review of the corresponding U.S. jurisdiction with a view toward establishing mutual treatment.

We appreciate the Task Force's consideration of these comments and look forward to further discussions of these important issues in Houston.

Sincerely,

Robert W. Woody

March 22, 2013

Ryan Couch
NAIC, Reinsurance (E) Task Force Committee
(rcouch@naic.org)

Dan Schelp
NAIC, Reinsurance (E) Task Force Committee
(dschelp@naic.org)

RE: Comments Regarding Expedited Review Procedure for the NAIC Process for Developing and Maintaining the List of Qualified Jurisdictions

Gentlemen:

Thank you for the opportunity to comment upon the Expedited Review Procedure with respect to the NAIC Process for Developing and Maintaining the List of Qualified Jurisdictions. We offer the following written comments and look forward to discussing this further at the Reinsurance Task Force meeting in Houston.

The RAA is a national trade association representing reinsurance companies doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the US and those that conduct business on a cross border basis. The RAA also has life reinsurance company affiliates.

First, the RAA supports an expedited review procedure within the process for vetting jurisdictions. Moving forward first with the regulatory regimes that have already been through an approval process in a state at the time the NAIC Process is finalized makes sense. This would include Bermuda, the UK, Germany and Switzerland. To the extent, however, that other jurisdictions are approved in a state before the NAIC process is finalized this year, they should also move forward in the first group. To accomplish this, we would suggest the changes in the attached red-lined draft.

Second, the Draft Process provides that “in no instance will a jurisdiction be permitted to maintain the designation of Conditional Qualified Jurisdiction for more than one year.” The language needs to be modified in the event that the state/NAIC have not completed the vetting process. To not accommodate this contingency would be potentially disruptive and confusing.

Third, we would encourage you to explicitly address in the Draft Process the mutual treatment of

U.S. domestic reinsurers operating in the jurisdiction seeking qualified status. The process should be both mutual and transparent.

Thank you for the opportunity to comment. We look forward to the discussion in Houston.

Sincerely,

A handwritten signature in cursive script that reads "Tracey Laws". The signature is written in black ink and is positioned above a horizontal line.

Tracey Laws
Sr. V.P. & General Counsel

III. Procedure for Evaluation of Non-U.S. Jurisdictions

1. Initiation of Evaluation of the Reinsurance Supervisory System of an Individual Jurisdiction.

- a. The NAIC will initially evaluate and expedite the review of those jurisdictions which were approved by the states of Florida and New York prior to the adoption of the revised credit for reinsurance models: Bermuda, Germany, Switzerland and the United Kingdom. Subsequent priority will be on the basis of objective factors including but not limited to ceded premium volume and reinsurance capacity issues raised by the states. ~~Priority~~ Expedited priority will also be given to requests from states and from those jurisdictions specifically requesting an evaluation by the NAIC and which have been assessed and approved by a state on before December 31, 2013.
- b. Formal notification of initiation of the evaluation process will be sent by the NAIC to the reinsurance supervisory authority in the jurisdiction selected. The NAIC will issue public notice on the NAIC website upon receipt of confirmation that the jurisdiction is willing to participate in the evaluation process.
- c. Relevant U.S. state and federal authorities will be notified of the NAIC's decision to evaluate a jurisdiction.
- d. Expedited Review Procedure. Based upon the prior review and approval by Florida and New York of reinsurers domiciled in Bermuda, Germany, Switzerland and the United Kingdom, the NAIC has adopted an expedited review procedure with respect to these jurisdictions and may apply these procedures to other jurisdictions that request an expedited review from the NAIC and which have been assessed and approved by a state on or before December 31, 2013. This procedure is not intended to eliminate or reduce any element provided under Section IV: Evaluation Methodology, but is intended to allow for a designation of Conditional Qualified Jurisdiction (after completion of the review set forth in subsection III.1.e.i., below) of these jurisdictions in order to facilitate the certification of reinsurers domiciled therein. Final qualification of each jurisdiction will be contingent upon completion of the full evaluation procedure, including Sections A and B of the Evaluation Methodology.
- e. Upon receipt of confirmation that a jurisdiction is willing to be considered for designation as a Conditional Qualified Jurisdiction, the following expedited review procedure will apply:
 - i. The jurisdiction will provide the information requested within Sections C through H of the Evaluation Methodology. Upon satisfactory completion of the review of this information by the [Task Force/Working Group/Committee] tasked with responsibility to conduct the review, the NAIC may designate the jurisdiction as a Conditional Qualified Jurisdiction, to be effective immediately.
 - ii. During this period as a Conditional Qualified Jurisdiction, the jurisdiction will provide the information requested under Sections A and B of the Evaluation Methodology. Upon satisfactory completion of the review of this information, the NAIC may upgrade the jurisdiction's designation to Qualified Jurisdiction. The NAIC may also address any issues identified within the review or revoke the designation of Conditional Qualified Jurisdiction.
 - iii. In no instance will a jurisdiction be permitted to maintain the designation of Conditional Qualified Jurisdiction for more than one year, or until the review is completed, whichever is longer.

e.f. The Expedited Review Procedure will also be available to jurisdictions which submit a written request to the NAIC and which have been assessed and approved by a state on or before December 31, 2013.

[Drafting Note: Input is requested with respect to the confidentiality requirements pertaining to this provision.]

DRAFT



March 6, 2013

Mr. Ryan Couch
NAIC, Reinsurance (E) Task Force Committee
(rcouch@naic.org)

Mr. Dan Schelp, Esq.
NAIC, Reinsurance (E) Task Force Committee
(dschelp@naic.org)

RE: TRC Comments to Draft Process – Expedited Review Procedure

Ryan and Dan:

Transatlantic Reinsurance Company (“TRC”) once again appreciates the opportunity to provide comments to the Reinsurance Task Force’s Draft Process. TRC is a leading international reinsurance organization headquartered and domiciled in New York with operations worldwide. Through its operating entities, TRC offers reinsurance capacity on both a treaty and facultative basis structuring programs for a full range of property and casualty products, with an emphasis on specialty risks.

TRC applauds the Task Force’s efforts to move forward with implementing the 2011 revisions to the Model Credit for Reinsurance Law and Regulation. However, as long-time advocates of a “level playing field” for global reinsurers we do have concerns about the proposed expedited procedure and we look forward to working with you to resolve these concerns before the process can be finalized and implemented. We again note with concern that the Draft Process is not forceful enough in assuring mutual treatment of U.S. domestic reinsurers operating in the jurisdiction seeking qualified status. Nor are there any provisions in the Draft Process that expressly require that the Non-U.S. Jurisdictions agree to undertake, in a timely fashion, a similar review of U.S. Jurisdictions. We believe any such “fast-track” process should be both mutual and transparent,

Again, TRC is grateful for the opportunity to submit comments on the Draft Process and is hopeful that the NAIC will continue to advocate that the international reinsurance marketplace benefits from global diversity. TRC also urges the Task Force to ensure the Draft Process does not overlook mutual recognition of U.S. supervisors and reinsurers in jurisdictions seeking “qualified” status.



Very truly yours,

Edward J. Kelley
Senior Vice President and Deputy General
Counsel



Draft: 4/2/13

Qualified Jurisdiction (E) Drafting Group
Conference Call
March 6, 2013

The Qualified Jurisdiction (E) Drafting Group of the Reinsurance (E) Task Force met via conference call March 6, 2013. The following Drafting Group members participated: John M. Huff, Chair, and Fred Heese (MO); John Finston, Vice Chair (CA); Kathy Belfi (CT); David Altmaier (FL); Tom Travis (LA); Robert Wake (ME); Richard Schlesinger (NJ); Jim Davis (NY); Marianne Galea (TX); and Brett Barratt (UT).

The following Reinsurance (E) Task Force members also participated: Michael F. Consedine, Chair, and Steve Johnson (PA); Karen Weldin Stewart represented by Linda Sizemore (DE); Ralph T. Hudgens represented by Jay Florence (GA); Andrew Boron represented by Kevin Fry (IL); Stephen W. Robertson represented by Cindy Donovan (IN); Bruce R. Ramage represented by Jim Nixon (NE); Scott J. Kipper represented by Gennady Stolyarov (NV); John D. Doak represented by Joel Sander (OK); Joseph Torti III (RI); Jacqueline K. Cunningham represented by Doug Stolte (VA); and Ted Nickel represented by Randy Gilquest (WI).

1. Received Comments on Exposure Draft “NAIC Process for Developing and Maintaining the List of Qualified Jurisdictions”

Commissioner Consedine said the primary purpose of the call is to hear comments and discuss the Nov. 28, 2012, exposure draft “NAIC Process for Developing and Maintaining the List of Qualified Jurisdictions” (Attachment 1). The initial exposure draft was released for a 45-day public comment period during the 2012 Fall National Meeting. Ten comment letters were received in response to the exposure draft. Director Huff emphasized that this issue is a key priority for the NAIC, and noted that the reinsurance modernization effort is one of the five areas within the Solvency Modernization Initiative.

Joe Gunset (Lloyd’s of London) summarized comments submitted by Lloyd’s of London (Attachment 2). Mr. Gunset expressed concern with the proportionality of the proposed evaluation process and encouraged the NAIC to utilize information that is publically available or has been provided within previous discussions to the extent possible. He expressed support for an expedited review process for certain jurisdictions as provided in the draft. He said Lloyd’s of London will encourage its regulators in the United Kingdom to cooperate with the evaluation in an effort to move the process along as quickly as possible.

John Mathews (Allstate) summarized comments submitted by Allstate (Attachment 3). He said Allstate supports the efforts of the NAIC in this area. He discussed the allocation of costs associated with the evaluation process, emphasized the importance of considering the enforcement of final U.S. judgments in applicant jurisdictions, and encouraged the NAIC to provide ample opportunities for public comment throughout the evaluation process.

Carolyn Cobb (American Council of Life Insurers—ACLI) summarized comments submitted by ACLI (Attachment 4). Ms. Cobb encouraged the NAIC to utilize an outcomes-based approach in the evaluations, and expressed support for the expedited review of certain jurisdictions as outlined in the exposure draft.

Tracey Laws (Reinsurance Association of America—RAA) summarized comments submitted by the RAA (Attachment 5). Ms. Laws encouraged the NAIC to focus on a principles/outcomes-based approach in its evaluation process, and to utilize existing information to the extent possible. She said it is important to be cognizant of the competitive implications with respect to jurisdictions that might not be considered under an expedited review process. The RAA also has concerns with respect to confidentiality of any company-specific information that might be shared within the evaluation process. Ms. Laws concluded by recommending that the Drafting Group consider flexibility in the process for re-reviewing jurisdictions.

Brad Kading (Association of Bermuda Insurers and Reinsurers—ABIR) summarized comments submitted by the ABIR (Attachment 6). The ABIR is concerned that the process will become overly prescriptive, and encourages the NAIC to focus on principles for effective supervision. Mr. Kading concurred with Ms. Laws’ comments with respect to competitive considerations, and suggested that the NAIC should consider the four jurisdictions identified within the exposure draft for a uniform effective date if approved as qualified jurisdictions.

Steve Bennett (American Insurance Association—AIA) said the AIA is supportive of the NAIC’s efforts in this area. AIA is concerned with the allocation of costs associated with these evaluations, and would prefer that the U.S. industry not bear the cost for these reviews. The AIA supports expediting the review of the four jurisdictions identified within the exposure draft, and suggests that the NAIC consider including additional countries within this initial group, such as France and Japan.

Additional comment letters were submitted by the Washington State Office of the Insurance Commissioner (Attachment 7); General Insurance Association of Japan (Attachment 8); Insurance Europe (Attachment 9); and International Underwriting Association of London (Attachment 10).

2. Discussed Primary Issues Identified within Comment Letters

Daniel Schelp (NAIC) summarized comments recommending or supporting an expedited or “fast-track” review with respect to the four jurisdictions that have been approved thus far in Florida and New York (i.e., Bermuda, Germany, Switzerland and the United Kingdom). The comments include recommendations that the NAIC consider “grandfathering” these jurisdictions without additional review, or granting a provisional qualification status while an expedited review is conducted. The Task Force and Drafting Group have discussed an expedited review procedure with respect to these four jurisdictions and the Drafting Group has developed an initial draft that will be distributed for comment subsequent to the call. As currently drafted, the expedited review procedure would grant a status of Conditional Qualified Jurisdiction upon satisfactory completion of Sections C through H of the Evaluation Methodology, pending completion of Section A and Section B at a later date.

Commissioner Consedine said the Task Force and Drafting Group agree that there is a need for an expedited review process. The draft expedited review procedure attempts to strike a balance between the need to 1) quickly grant conditional approval to the four jurisdictions approved in Florida and New York; and 2) conduct an appropriate level of due diligence to allow other states to rely on the NAIC reviews. Mr. Finston said the Drafting Group’s discussions with New York and Florida regulators indicated that each state’s review focused primarily on the reinsurers applying for collateral reduction, and did not necessarily provide the depth of review that is contemplated within Section A and Section B of the proposed NAIC process. Director Huff expressed support for further considering the expedited review procedure, as it represents an appropriate balance between moving forward with implementation in a measured way while balancing any regulator concerns regarding a thorough process.

Ryan Couch (NAIC) summarized comments regarding the amount of detail that is included within the current exposure draft, particularly with respect to Section A and Section B of the Evaluation Methodology. A number of comments recommend that the process be streamlined by better utilizing and/or increasing reliance on other available information, suggesting that such information will provide sufficient insight into a jurisdiction’s reinsurance regulatory regime. Mr. Couch emphasized that the Drafting Group gave serious consideration to the specific concern that the document might be interpreted as overly prescriptive; therefore, the Drafting Group made a concerted effort to be clear on its intentions within the exposure draft that the evaluation process is designed to be outcomes-based. He said the Drafting Group determined that providing more detail and direction within the information request would make it easier for the jurisdiction to provide a complete response and, therefore, facilitate a timely and efficient evaluation process.

Mr. Finston said the Drafting Group gave significant consideration to the amount of detail that should be included within the evaluation methodology, and ultimately determined that it would be a more efficient process if the jurisdiction is provided clear and detailed guidance within the information request with respect to preparation of the evaluation materials. He said the difference between a prescriptive approach and an outcomes-based approach is within the review and analysis of the information that is provided, and emphasized that the intention is to review the information from an outcomes-based perspective. It is intended that the NAIC would rely on other information as much as possible, but it is important that the information be up to date and on point to address the areas included within the evaluation. Commissioner Consedine said the Drafting Group intends to review the draft and address redundancies prior to releasing an updated exposure draft. Ms. Laws encouraged the Drafting Group to consider Mr. Gunset’s comments with respect to proportionality in the review process. Director Huff said the document has been drafted with the clear understanding that this is not an equivalence assessment.

Mr. Schelp summarized comments regarding the role and authority of the Federal Insurance Office (FIO). Several comment letters suggest that the FIO's authority to enter into covered agreements would be a more efficient and effective method of moving the reinsurance collateral reductions forward. Mr. Schelp summarized prior Drafting Group discussion on this issue, noting that a number of the states have already adopted the revised credit for reinsurance models [*Credit for Reinsurance Model Act* (#785) and *Credit for Reinsurance Model Regulation* (#786)]; therefore, it is a priority for the NAIC to proceed with development of this process in an effort to promote uniformity in the states' determination of Qualified Jurisdictions. He noted that the federal Dodd-Frank Wall Street Reform and Consumer Protection Act clearly leaves the regulation of insurance and reinsurance with the states, and the states have the authority to make Qualified Jurisdiction determinations and use NAIC resources to assist in that process. Director Huff noted that, in a number of places, the draft process indicates that the NAIC is committed to communicating and coordinating with the FIO and other federal authorities on these matters. He noted that, if the covered agreement process moves forward at some point, the two processes are not necessarily mutually exclusive and are likely compatible. Mr. Finston concurred with Director Huff's comments, and noted that the NAIC has adopted a model law and regulation on this issue, and is working to implement the model and its related processes among the states. He said that if the FIO or the U.S. government enters into covered agreements, this should be a compatible process. He noted that California's revised credit for reinsurance statute includes a provision explicitly providing that California can rely on actions taken by the U.S. government with respect to reinsurance collateral issues.

Mr. Couch summarized comments with respect to the ability of the NAIC and states to enter into a memorandum of understanding (MOU) and keep information confidential. The Drafting Group specifically requested input with respect to the confidentiality of various aspects of the evaluation process (e.g., when to notify the public that an evaluation has been requested, what is the appropriate level of confidentiality with respect to the various stages of the report process and information obtained, what information to provide publicly in the final report, etc.). The Drafting Group also received comments recommending that the NAIC allow sufficient opportunities for public comment in the evaluation process. Director Huff emphasized that this process should not be misconstrued, and clarified that this is a state insurance regulatory process working through the NAIC. Mr. Finston said California's objective is that the state would enter into an MOU with a reinsurer's domiciliary jurisdiction prior to a certified reinsurer status being granted. Ms. Laws suggested the process should specifically provide that no specific company information will be shared unless the appropriate confidentiality provisions are in place.

Mr. Couch referred to a number of drafting notes that were included within the document specifically requesting input with respect to the allocation of costs associated with these evaluations. The comments received in response cover a number of options, including: absorb costs within the NAIC budget; assess the applicable jurisdiction; or assess reinsurers domiciled in the jurisdiction benefiting from collateral reduction. Mr. Couch said it appears that, at least initially, the cost of these evaluations will be absorbed within the NAIC budget. Director Huff said this process would be consistent with how the NAIC has addressed other initiatives.

Mr. Schelp summarized questions and comments regarding the provision requiring an Independent Opinion of Counsel. He said the Drafting Group has discussed the possibility of making this a discretionary provision. Mr. Finston said California included this provision within its application process due to concerns that specific legal issues might be difficult to evaluate (e.g., issues related to enforcement of judgments). He said that, in some jurisdictions, it might be entirely appropriate to rely on information and descriptions provided directly by the supervisory authority, and indicated that the Drafting Group intends to review this provision for possible clarification.

Mr. Couch said the Drafting Group received a number of editorial comments, as well as suggestions on technical revisions to the draft process. The Drafting Group will consider each of these comments when further developing the draft. Director Huff said the Drafting Group will consider all of the comments received, as well as the discussion from this call, and will work to distribute an updated draft prior to the Spring National Meeting, with the intention of having additional substantive discussion during that meeting.

3. Received Update Regarding the Reinsurance Financial Analysis (E) Working Group

Director Huff said the Reinsurance Financial Analysis (E) Working Group completed its work in developing the *Reinsurance Financial Analysis (E) Working Group Procedures Manual* in November 2012. During a regulator-to-regulator conference call held Feb. 27, 2013, the Reinsurance (E) Task Force adopted the procedures manual, and agreed to appoint Mr. Johnson as chair of the Working Group. The Working Group was officially established upon adoption of its charges by the NAIC Executive (EX) Committee and Plenary during a conference call held March 1, and Mr. Johnson is currently working to appoint the initial membership.

Mr. Johnson said the concept of this process is to have a state submit its analysis of an applicant reinsurer to the Working Group in an effort to facilitate consistency in the review process among the states, as well as multiple-state recognition of the state's certification and rating with respect to that particular reinsurer. In addition, the Working Group will assist with the ongoing monitoring of these reinsurers. He noted that the Working Group's initial focus will be on reviewing those reinsurers that have been approved by Florida and/or New York. The Working Group will meet in regulator-to-regulator session only, and its procedures manual will remain a confidential regulator-only document, consistent with other types of NAIC groups with similar charges. A memorandum summarizing key aspects of the Working Group's process was distributed in the public materials for the 2012 Fall National Meeting. It is anticipated that the Working Group will begin operating soon, and it will provide a report to the Reinsurance (E) Task Force at each national meeting.

Having no further business, the Qualified Jurisdiction (E) Drafting Group adjourned.

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To: Reinsurance (E) Task Force

From: Steve Johnson (PA), Chair, Reinsurance Financial Analysis (E) Working Group

Date: March 29, 2013

Re: Information Regarding Reinsurance Financial Analysis (E) Working Group

Executive Summary

The Reinsurance-FAWG was established to provide advisory support and assistance to states in the review of reinsurance collateral reduction applications, in accordance with the *Preface to Credit for Reinsurance Models*. This process is intended to strengthen state regulation and prevent regulatory arbitrage. During 2012, a drafting group of this Task Force developed a manual to document the procedures applicable to this new working group. The Reinsurance (E) Task Force approved the Reinsurance-FAWG Procedures Manual on February 27, 2013, and the working group was officially established upon adoption of its 2013 charges by the NAIC Executive (EX) Committee and Plenary on March 1. As provided under the *NAIC Policy Statement on Open Meetings*, public discussions concerning specific companies, entities or individuals are not considered to be appropriate, and all matters relating to the Reinsurance-FAWG will be considered confidential and conducted in regulator-to-regulator sessions only. The purpose of this memorandum is to provide information regarding Reinsurance-FAWG that will be beneficial to state insurance regulators and industry.

Reinsurance-FAWG Membership

The membership guidelines within the Reinsurance-FAWG Procedures Manual provide that the working group will be limited to a maximum of 12 member states with approximate equal participation from the four NAIC zones. An additional note was included within the manual to indicate that Reinsurance-FAWG should also attempt to maintain a balance in membership between states that have implemented reduced collateral provisions and states that have not implemented such provisions. Following is the initial Reinsurance-FAWG membership, which has been approved by Commissioner Michael F. Consedine, Chair of the Reinsurance Task Force, and Superintendent Joseph Torti III, Chair of the Financial Condition (E) Committee:

Northeast Zone: Steve Johnson, Chair (PA); Linda Sizemore (DE); Jim Davis (NY)

Southeast Zone: Richard Ford (AL); David Altmaier (FL); Doug Stolte (VA)

Midwest Zone: Cindy Donovan (IN); Fred Heese (MO); Peter Medley (WI)

Western Zone: Kurt Regner (AZ); John Finston (CA); Danny Saenz (TX)

Mission and Charges

The Reinsurance Financial Analysis Working Group (Reinsurance-FAWG) operates in Executive Session, in accordance with the NAIC Policy Statement on Open Meetings. The authority of the Working Group is limited to that of an advisory body. This authority is derived from the *Preface to Credit for Reinsurance Models*, which provides 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.”

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 ratings or collateral requirements for individual reinsurers. Issues upon which the Working Group may provide advisory support and assistance include but are not limited to:

- Provide a forum for discussion among NAIC jurisdictions of reinsurance issues related to specific companies, entities or individuals.
- 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.
- Provide analytical expertise and support to the states with respect to certified reinsurers and applicants for certification.
- 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.
- Provide advisory support with respect to issues related to the determination of qualified jurisdictions.
- Provide guidance and expertise on regulatory policy and practices with respect to certified reinsurers.

Summary of Reinsurance-FAWG Procedures

- Assuming insurers seeking status as a certified reinsurer are encouraged to submit initial applications to a single state, in an effort to facilitate multi-state recognition of a certification through the Reinsurance-FAWG process. As a general procedure, this state would be considered the lead state for the purpose of initiating the Reinsurance-FAWG review process.
- In the event that an assuming insurer submits applications for certification to multiple states simultaneously, as a general procedure the first state to receive application and submit notice to the NAIC would be considered the lead state for the purpose of beginning the evaluation process and presenting a report on the application to the Reinsurance-FAWG.
- It should be noted that the process for engaging the Reinsurance-FAWG in the consideration of an application for certification is intended to be flexible. Specific circumstances may necessitate discussion between the Reinsurance-FAWG and any states that have received application for certification in order to determine an appropriate lead state on a case-by-case basis.
- Upon receipt of the application, the commissioner would submit notice of the application to the Reinsurance-FAWG, along with information provided by the applicant. This state will present a report on the application to the Reinsurance-FAWG at its next meeting. As part of its review process, the state may request the assistance of NAIC staff in completing its evaluation.
- Members of the Reinsurance-FAWG will review the report and have an opportunity to provide input or submit inquiries with respect to the state's final certification of the applicant. After considering input from Reinsurance-FAWG, the commissioner will issue written notice to the applicant upon determination that it has been approved as a certified reinsurer.
- The Reinsurance-FAWG will give priority to the review of those reinsurers that have been previously approved by states prior to the adoption of these procedures.
- It is intended that Reinsurance-FAWG will facilitate communication among NAIC member jurisdictions with respect to information that potentially impacts a certified reinsurer's rating/status.
- It is not within the authority of the Reinsurance-FAWG to assign ratings or collateral requirements for individual reinsurers. The authority to issue individual ratings of certified reinsurers is reserved to the NAIC member jurisdictions under their respective statutes and regulations. The Reinsurance-FAWG 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 Reinsurance-FAWG meetings and discussion.
- The NAIC will include information with respect to reinsurers that have been certified by individual states within the *NAIC Listing of Companies*. This is intended for informational purposes only, in order to facilitate accurate reporting of reinsurance transactions within the statutory financial statements. Publication of this information should not be interpreted as providing any indication with respect to the outcome of Reinsurance-FAWG's review and discussion with respect to any particular certified reinsurer.
- Reinsurance-FAWG will consider evaluation/rating criteria included in the credit for reinsurance models, and will work to facilitate consistency among the states in responses and actions with respect to issues impacting a certified reinsurer rating or reinsurance credit taken by a U.S. ceding insurer.

- Reinsurance-FAWG will also serve as a forum for consideration of other issues related to reinsurance that might not be specific to reinsurance collateral or certified reinsurers.

Ongoing Monitoring Process

- Certified reinsurers are required to file specific information to a certifying state on an ongoing basis. NAIC staff and the Reinsurance-FAWG will review this information in an effort to assist states with the ongoing monitoring of certified reinsurers. All information submitted by certified reinsurers which are not otherwise public information subject to disclosure shall be exempted from disclosure under state law (equivalent to the Freedom of Information Act) and shall be withheld from public disclosure.
- The certified reinsurer will file this information with the initial certifying state, which will submit the information to the Reinsurance-FAWG in accordance with an information sharing process outlined within the procedures manual.
- NAIC staff will assist in the review of information filings and in monitoring the ongoing condition of certified reinsurers. If during the annual review process, or in an interim period, the Reinsurance-FAWG determines that a certified reinsurer's assigned rating or certification status may warrant reconsideration, notice will be sent to the initial certifying state, with a copy to the Chief Financial Regulators. The specific issues identified will be presented for discussion during the next Reinsurance-FAWG meeting.

Confidential Information/NAIC Staff Involvement

- The Reinsurance-FAWG meetings, correspondence and the matters discussed therein are held in executive session and are intended to be confidential. Information concerning Reinsurance-FAWG meetings, correspondence and the matters discussed therein should not be discussed outside of the Reinsurance-FAWG.
- Certain information and documents related to specific companies are confidential by operation of state statute and will be shared with Reinsurance-FAWG members pursuant to the Master Information Sharing and Confidentiality Agreement. This Agreement requires that any confidential information received be maintained as such and contains a representation by each state that it has the authority to and will protect such information from disclosure.
- Since all information is shared on a regulator-to-regulator basis, the NAIC treats this information as confidential and expects the states to also treat the information as confidential under the Master Information Sharing and Confidentiality Agreement.
- Most states have statutory authority to share confidential financial information with the NAIC under their examination laws, IRIS or RBC laws or other derivative confidentiality statutes. The NAIC treats information as belonging to the state and, in the event of a subpoena, would work closely with that state to protect the confidentiality and, if applicable, privileged nature of the information.
- All information requested from a state is being requested by the Reinsurance-FAWG and not by the NAIC. Return correspondence from a state is directed to the Reinsurance-FAWG Chair in care of an NAIC staff support person. The confidentiality of the letter responses received shall be governed by the law of the state the chair represents (currently Pennsylvania). A service agreement between the NAIC and state the chair represents will identify specific, designated NAIC staff who are allowed access to such information.

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