

2013 Summer National Meeting
Indianapolis, IN

REINSURANCE (E) TASK FORCE

Monday, August 26, 2013

10:30 a.m. – 12:00 p.m.

JW Marriott Indianapolis—White River Ballroom F—Level 1

ROLL CALL

Michael F. Consedine, Chair	Pennsylvania	Monica J. Lindeen	Montana
John M. Huff, Vice Chair	Missouri	Bruce R. Ramage	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	Julia Rathgeber	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. Consider Adoption of its Aug. 8 and June 18 Conference Call Minutes
—*Commissioner Michael F. Consedine (PA)* Attachment One
Attachment Two
2. Discuss Next Steps Regarding Implementation of the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions*
—*Commissioner Michael F. Consedine (PA) and Director John M. Huff (MO)*
3. Receive a Status Report on the States' Implementation of the Revised Credit for Reinsurance Models—*Director John M. Huff (MO)*
4. Receive a Report from the Reinsurance Financial Analysis (E) Working Group
—*Steve Johnson (PA)*
5. Receive a Referral from the Financial Condition (E) Committee Regarding Recommendations from the *Captives and Special Purpose Vehicles* White Paper
—*Commissioner Michael F. Consedine (PA) and Superintendent Joseph Torti III (RI)* Attachment Three
6. Receive a Status Report on Referrals from Other NAIC Groups—*Ryan Couch (NAIC)*
7. Receive a Report on International Reinsurance Issues
—*Commissioner Michael F. Consedine (PA) and Ryan Couch (NAIC)*
8. Discuss Any Other Matters Brought Before the Task Force
—*Commissioner Michael F. Consedine (PA)*
9. Adjournment

Draft: 8/22/13

Reinsurance (E) Task Force and Financial Condition (E) Committee
Conference Call
August 8, 2013

The Reinsurance (E) Task Force and the Financial Condition (E) Committee met jointly via conference call Aug. 8, 2013. The following Reinsurance (E) Task Force members participated: Michael F. Consedine, Chair (PA); John M. Huff, Vice Chair (MO); Jay Bradford represented by Mel Heaps (AR); Dave Jones represented by John Finston (CA); Thomas B. Leonardi represented by Kathryn Belfi (CT); Karen Weldin Stewart (DE); Kevin M. McCarty represented by David Altmaier (FL); Gordon I. Ito represented by Danny Chan (HI); Andrew Boron represented by Kevin Fry (IL); Stephen W. Robertson represented by Dan Benefiel (IN); James J. Donelon represented by Stewart Guerin and Tom Travis (LA); Eric A. Cioppa represented by Robert Wake (ME); Mike Chaney represented by Chad Bridges and Vanessa Miller (MS); Bruce R. Ramge represented by Justin Schrader (NE); Kenneth E. Kobylowski represented by Russell Jones (NJ); Benjamin M. Lawskey represented by Robert Easton (NY); John D. Doak represented by Joel Sander and Frank Stone (OK); Joseph Torti III (RI); Julia Rathgeber represented by Marianne Galea and Jamie Walker (TX); Todd E. Kiser represented by Brett Barratt (UT); Susan L. Donegan represented by Crosby Sherman (VT); Jacqueline K. Cunningham represented by Doug Stolte (VA); Mike Kreidler represented by Patrick McNaughton (WA); and Ted Nickel represented by Randy Milquet (WI).

The following Financial Condition (E) Committee members participated: Joseph Torti III, Chair (RI); Eric A. Cioppa, Vice Chair, represented by Robert Wake (ME); Dave Jones represented by John Finston (CA); Thomas B. Leonardi represented by Kathryn Belfi (CT); Kevin M. McCarty represented by David Altmaier (FL); Nick Gerhart represented by Jim Armstrong (IA); Stephen W. Robertson represented by Dan Benefiel (IN); John M. Huff (MO); Benjamin M. Lawskey represented by Robert Easton (NY); Mary Taylor represented by Dale Bruggeman (OH); Michael F. Consedine (PA); Julia Rathgeber represented by Marianne Galea and Jamie Walker (TX); and Jacqueline K. Cunningham represented by Doug Stolte (VA).

1. Adopted the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions*

Commissioner Consedine said the primary purpose of the call is to hear any comments regarding the proposed *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions*, and consider the proposal for adoption by the both the Reinsurance (E) Task Force and the Financial Condition (E) Committee. Commissioner Consedine said the Task Force released an updated draft dated June 27 for a public comment period ending July 30 (Attachment A). Comment letters were submitted by the following in response to this draft: American Council of Life Insurers (ACLI) (Attachment B); Bermuda Monetary Authority (Attachment C); European Insurance and Occupational Pensions Authority (EIOPA) (Attachment D); International Underwriting Association (IUA) (Attachment E); and Reinsurance Association of America (RAA) (Attachment F).

Commissioner Consedine said an updated draft was distributed prior to this call reflecting suggested editorial changes based on consideration of the comments received. The changes are considered nonsubstantive or editorial in nature and, therefore, no further exposure should be necessary. The edits are intended to address a number of concerns expressed by commenters, including: 1) confidentiality issues regarding the exchange of information between jurisdictions under review and the NAIC/states; 2) communication with the Federal Insurance Office (FIO) and other federal authorities; 3) clarification that information regarding a jurisdiction under review may also be provided by its domestic reinsurers; and 4) the time period that will be reviewed with respect to the historical performance of reinsurers domiciled in a jurisdiction under review.

Commissioner Consedine provided a summary of the changes regarding confidentiality and information-sharing, and specifically noted the following: 1) the NAIC does not contemplate reviewing confidential company-specific information in this process, and has focused the entirety of this procedure on reviewing publicly available information; 2) if confidential company-specific information is provided to the NAIC during this process, it will only be provided under a confidentiality agreement entered into between the jurisdiction and the NAIC or the states, as appropriate; and 3) if no agreement is executed or the jurisdiction is unable to enter into such an agreement, then the NAIC will not accept any confidential company-specific information. Director Huff expressed support for the edits reflected in the current draft, and said they appear to appropriately address the concerns expressed in the most recent comment letters. Mr. Finston concurred with Director Huff's comments.

Bill Marcoux (DLA Piper), representing the IUA, expressed appreciation for the most recent changes, many of which address concerns expressed by the IUA. He said the drafting process was efficient, as well as responsive to the concerns expressed

throughout. Matt Wulf (RAA) said the RAA is also appreciative of the most recent edits, particularly those with respect to confidentiality, as the changes provide clarification for items the RAA considers to be important.

Upon a motion by Commissioner Stewart and a second by Superintendent Torti, the Reinsurance (E) Task Force unanimously adopted the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions*.

Upon a motion by Commissioner Consedine and a second by Director Huff, the Financial Condition (E) Committee unanimously adopted the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions*, as adopted by the Reinsurance (E) Task Force (Attachment G).

Superintendent Torti said the process document will be forwarded to the Executive (EX) Committee and Plenary for consideration during the Summer National Meeting. Upon adoption, it is intended that reviews would begin shortly thereafter. It is anticipated that the next steps regarding implementation of the process will be further discussed during the Aug. 26 meeting of the Reinsurance (E) Task Force.

Having no further business, the Reinsurance (E) Task Force and Financial Condition (E) Committee adjourned.

W:\National Meetings\2013\Summer\TF\Reinsurance\Qualified Jurisdiction Drafting Group\8-8-13 Conf Call\08-rtf & E.docx

Draft: 8/17/13

Reinsurance (E) Task Force
Conference Call
June 18, 2013

The Reinsurance (E) Task Force met via conference call June 18, 2013. The following Task Force members participated: Michael F. Consedine, Chair (PA); John M. Huff, Vice Chair, represented by Fred Heese (MO); Jay Bradford represented by Brenda Haggard (AR); Dave Jones represented by John Finston (CA); Thomas B. Leonardi represented by Kathryn Belfi (CT); Karen Weldin Stewart represented by Linda Sizemore (DE); Kevin M. McCarty represented by David Altmaier (FL); Ralph T. Hudgens represented by Don Roof (GA); Gordon I. Ito represented by Danny Chan (HI); Stephen W. Robertson represented by Amanda Denton (IN); Sandy Praeger represented by Mark Birdsall (KS); James J. Donelon represented by Tom Travis (LA); Eric A. Cioppa represented by Robert Wake (ME); Monica J. Lindeen represented by Christina Goe (MT); Bruce R. Ramage represented by Justin Schrader and Lindsay Crawford (NE); Kenneth E. Kobylofski represented by Richard Schlesinger (NJ); Benjamin M. Lawsky represented by Michael Campanelli (NY); Joseph Torti III (RI); Todd E. Kiser represented by Brett Barratt and Jake Garn (UT); Jacqueline K. Cunningham represented by Doug Stolte (VA); and Mike Kreidler represented by Jim Odiorne (WA).

1. Received Comments and Discussed the Draft Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions

Commissioner Consedine said the purpose of the call is to receive comments from regulators and interested parties with respect to the March 29, 2013, draft *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions*, which was released for public comment during the Spring National Meeting (Attachment A). Comments were submitted by the following in response to this draft: Association of Bermuda Insurers and Reinsurers (ABIR) (Attachment B); American Council of Life Insurers (ACLI) (Attachment C); Allstate (Attachment D); Central Bank of Ireland (Attachment E); Dublin International Insurance and Management Association (DIMA) (Attachment F); German Insurance Association (Attachment G); General Insurance Association of Japan (GIAJ) (Attachment H); Insurance Europe (Attachment I); International Underwriting Association of London (IUA) (Attachment J); Lloyd's (Attachment K); and Reinsurance Association of America (RAA) (Attachment L).

Commissioner Consedine noted that many of the comments express general support for the approach reflected within the March 29 draft; however, the Task Force continues to receive suggestions that certain aspects of the process need further attention. Work continues toward further refining the draft in an effort to ensure the process is as streamlined and efficient as possible and avoids unnecessary burden on participating jurisdictions. At the same time, the process must meet the requirements of applicable statutes and/or regulations, and provide U.S. state insurance regulators with relevant information in order to make determinations with respect to qualified jurisdictions. Commissioner Consedine said considerable progress has been made toward incorporating further revisions, and the Task Force intends to release an updated draft for public comment prior to the end of June.

Commissioner Consedine said the scope of primary concerns with respect to the proposed evaluation process appears to have narrowed considerably in the most recent comments, with many of the comments directed at two important issues: 1) application of the expedited review procedure; and 2) enforcement of U.S. judgments. The expedited review procedure appears to have been well received; however, a number of commenters have requested that the process be extended to jurisdictions beyond the four specifically identified within the current draft. He said the Task Force appears to be open to considering expansion of the expedited review procedure to potentially include additional jurisdictions under certain conditions, and expressed that the next draft will likely address some of these comments. Commissioner Consedine noted that numerous comments address the enforcement of U.S. judgments. This has been a topic of considerable discussion throughout the history of the reinsurance collateral debate. The Task Force is considering whether any further clarification would be beneficial with respect to how the issue will be considered in the review process, as well as how the NAIC intends to monitor any relevant developments in this area.

Commissioner Consedine said that, in addition to these two aspects of the process, the Task Force is attempting to add clarity and consistency to a number of areas within the draft based on a general review of the document as well as comments received, including: other details within the Expedited Review Procedure; opportunities for public comment and input; provisions related to information-sharing and confidentiality requirements; the scope and intent of the discretionary on-site review; revisions to the language within Appendix A and Appendix B in an effort to more appropriately reflect the purpose of

this information; and additional editorial and/or technical revisions in an effort to further streamline and improve the document.

Commissioner Consedine said that the NAIC's progress toward developing the qualified jurisdiction process has been discussed within the U.S./European Union (EU) Dialogue. The Task Force intends to provide the European Insurance and Occupational Pensions Authority (EIOPA) with a copy of the next draft for the purpose of inviting feedback in an effort to identify and address any potential obstacles to the implementation of an efficient and effective process. The Task Force also intends to contact the four jurisdictions currently identified for the expedited review procedure for the same purpose.

Commissioner Consedine provided a summary of the intended timeline for finalizing the draft process. The Task Force intends to release an updated exposure draft by June 28 for a 30-day public comment period. If no further significant edits are necessary, the Task Force would hold a joint meeting via conference call with the Financial Condition (E) Committee in early August in order to consider a final draft for adoption. If further significant edits are necessary following the next exposure period, the Task Force would release another revision for an abbreviated, final comment period. A joint meeting via conference call with the Financial Condition (E) Committee would then be held prior to the Summer National Meeting in order to consider a final draft for adoption. In either case, it is intended that a final draft will be presented to the Executive (EX) Committee and Plenary during the Summer National Meeting, with initial evaluations to begin soon thereafter.

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

W:\National Meetings\2013\Summer\TF\Reinsurance\National Meeting Materials\RTF - 02 - 06-rtf.docx



To: Commissioner Michael F. Consedine (PA), Chair—Reinsurance (E) Task Force
From: Superintendent Joseph Torti III (RI), Chair—Financial Condition (E) Committee
Date: August 14, 2013
Re: Referral Regarding Insurers' Use of Captives and Special Purpose Vehicles

The Financial Condition (E) Committee formed the Captive and Special Purpose Vehicle (SPV) Use (E) Subgroup in 2011 to study insurers' use of captives and SPVs to transfer insurance risk, other than self-insured risk, in relation to existing state laws and regulations, and establish appropriate regulatory requirements to address concerns identified in this study. The Subgroup adopted the *Captive and Special Purpose Vehicles White Paper* (attached) on June 6, 2013, which outlines the findings of its study and offers seven recommendations to the E-Committee for consideration and/or possible further study. The E-Committee and Executive (EX) Committee/Plenary adopted the White Paper on July 17 and July 26, respectively. Concurrent with adoption of the White Paper, the E-Committee agreed to refer the following recommendations to the Reinsurance (E) Task Force for consideration:

- Access to Alternative Markets
White Paper Recommendation #3 – The Subgroup supports the use of solutions designed to shift risk to the capital markets or that provide alternative forms of business financing. The NAIC should consider re-evaluating the Special Purpose Reinsurance Vehicle Model Act (#789), and updating it as necessary to reflect alternative markets solutions acceptable to state insurance regulators, to ensure there is a uniform framework for the implementation of alternative market solutions. The NAIC should further encourage the states to adopt Model #789 and should consider making the model an accreditation standard.
- International Association of Insurance Supervisors (IAIS) Principles, Standards and Guidance
White Paper Recommendation #4 – The Subgroup recommends that the NAIC closely monitor the ongoing developments with respect to IAIS principles, standards and guidance, and consider, if appropriate, enhancements to the U.S. captive and SPV regulatory framework in preparation for future International Monetary Fund/World Bank Financial Sector Assessment Program (FSAP) reviews.
- Credit for Reinsurance Model Enhancements
White Paper Recommendation #5 – Transactions involving conditional letters of credit (LOCs) or parental guarantees effectively permit assets to support reinsurance recoverables, either as collateral or as capital, in forms that may be otherwise inconsistent with requirements under the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786) or other financial solvency requirements applicable to U.S.-domiciled commercial assuming insurers. The Subgroup recommends consideration be given to study further the effects of, and potential limits on, the variability in qualified LOCs or any other security that might not provide the intended protections provided within Model #785 and Model #786.

Please note that the remaining recommendations included within the White Paper have been referred to the Principle-Based Reserving (PBR) Implementation (EX) Task Force for consideration within the context of the new PBR system. Please communicate and coordinate with the PBR Implementation (EX) Task Force as needed during your consideration of these issues. Contact me if I can be of further assistance.

W:\National Meetings\2013\Summer\TF\Reinsurance\National Meeting Materials\RTF - 03 - Referral to RTF.docx

EXECUTIVE OFFICE • 444 North Capitol Street, NW, Suite 701 • Washington, DC 20001-1509	p 202 471 3990	f 816 460 7493
CENTRAL OFFICE • 1100 Walnut Street, Suite 1500 • Kansas City, MO 64106-2197	p 816 842 3600	f 816 783 8175
CAPITAL MARKETS & INVESTMENT ANALYSIS OFFICE • 48 Wall Street, 6th Floor • New York, NY 10005-2906	p 212 398 9000	f 212 382 4207
