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November 11, 2014

John M. Huff, Chair
Reinsurance (E) Task Force
National Association of Insurance Commissioners
Via email adaleo@naic.org and dschelp@naic.org

RE: Exposure Draft, *Uniform Application Checklist for Certified Reinsurers*

Dear Director Huff,

On behalf of the American Academy of Actuaries'¹ Reinsurance Committee, I am pleased to provide comments to the National Association of Insurance Commissioner's (NAIC) Reinsurance (E) Task Force on the *Uniform Application Checklist for Certified Reinsurers* exposure draft, in particular on the requirement to disclose the method of posting collateral by a certified reinsurer.

The current exposure draft specifies that a certified reinsurer must disclose the form of collateral it will use during the period after the application for certification is granted and before recertification. The first sentence states: "The applicant must specify the mechanism it will use to secure obligations incurred as a certified reinsurer." We would suggest a technical correction to the exposure draft so that the language conforms to the Model Credit for Reinsurance Act, which reads: "In order for a domestic ceding insurer to qualify for full financial statement credit for reinsurance ceded to a certified reinsurer, the certified reinsurer shall maintain security in a form acceptable to the commissioner and consistent with the provisions of Section 3, or in a multibeneficiary trust in accordance with Subsection D of this section, except as otherwise provided in this subsection." Section 3 permits cash, certain Securities Valuations Office (SVO) rated assets, letters of credit, and State commissioner-approved collateral. As such, the Act allows a certified reinsurer to use all mechanisms specified. This issue can be resolved by adding "(s)" on the end of the word "mechanism" in four locations in the exposure draft:

- Page 2 under the "Requirements" column, the *Mechanism Used to Secure Obligations Incurred as a Certified Reinsurer* heading;
- Page 2, the first sentence under the *Mechanism Used to Secure Obligations Incurred as a Certified Reinsurer* heading;
- Page 4 under the "Requirements" column, the *Mechanism Used to Secure Obligations Incurred as a Certified Reinsurer* heading; and

¹ The American Academy of Actuaries is an 18,000+ member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

- Page 4, the first sentence under the *Mechanism Used to Secure Obligations Incurred as a Certified Reinsurer* heading.

Thank you for this opportunity to provide our views on on the task force's *Uniform Application Checklist for Certified Reinsurers* exposure document. If you have any questions or would like to discuss this issue in more detail, please contact Lauren Sarper, the Academy's senior policy analyst for Risk Management and Financial Reporting, at 202.223.8196 or sarper@actuary.org.

Sincerely,

Jeremy Starr, MAAA, FSA
Chairperson, Reinsurance Committee
Risk Management and Financial Reporting Council
American Academy of Actuaries