



September 28, 2026

Commissioner Nathan Houdek (WI)
Chair, Financial Condition (E) Committee
National Association of Insurance Commissioners

Re: Reinsurance thresholds in the Disclosure of Material Transactions Model Act (#285)

Dear Commissioner Houdek:

On behalf of the American Academy of Actuaries'¹ Reinsurance Work Group (RWG), we appreciate the opportunity to provide comments to the Financial Condition Committee's July 27, 2026, [memorandum on Model #285](#). We agree that the growth in large life and annuity cessions, including to unaffiliated reinsurers, warrants a fresh look at the life reinsurance provisions last amended in 2000.

Our comments address the questions the memorandum raises for life and annuity reinsurance: what the thresholds measure, where they should be set, and what regulators should receive.

Items for the Committee's consideration

1. **Align the life reinsurance size thresholds with Actuarial Guideline 55 (AG 55).** The Model 285's current 50% test compares a transaction with the reserve credit the cedent already takes, so it scales with prior reinsurance rather than transaction size. A cedent with \$60 billion of existing reserve credit could cede a further \$25 billion (42%) without reporting. We suggest replacing the current reporting thresholds enumerated in Model #285 Section 3A with the more graduated approach used in AG 55 Section 2A (see Appendix for details). Life and annuity cedents already compile these figures, and this would enable regulators to apply one definition of materiality.
2. **Count modco reserves and aggregate by counterparty.** Under modified coinsurance (modco), the cedent keeps the reserves and assets backing those reserves, so a large modco cession can produce little or no reserve credit and fall outside the current test while transferring the same risks. AG 55 counts reserve credit and modco reserve together and measures them by counterparty. This latter provision stops a block being split across treaties to stay below a threshold. Model #285 should do both.
3. **Update Model #285 to reflect Credit for Reinsurance model changes.** Since Model #285 was last updated, the Credit for Reinsurance Models (Nos. 785 and 786) have been changed to include such additional types of reinsurers as Certified and Reciprocal Reinsurers. We suggest Model #285 requirements be updated to reflect these changes. We would be happy to work with the NAIC to accomplish this update in a way consistent with our other recommendations.
4. **Information to be reported.** The current reporting requirements were designed for a reporting

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted 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.

threshold of a flat 50%; with the refined requirement, we propose adding a requirement for the cedent to demonstrate how they calculated the reporting threshold (e.g., include ceded coinsurance and modified coinsurance reserves).

We appreciate the opportunity to share these comments and look forward to the continued collaborative conversations between the E Committee and interested stakeholders. If you have any questions or would like to discuss these comments further, please contact Will Behnke, the Academy's policy project manager, risk management and financial reporting (behnke@actuary.org).

Sincerely,

Jeremy Starr, MAAA, FSA
Chairperson, Reinsurance Working Group
Risk Management and Financial Reporting Council

Appendix

Actuarial Guideline 55

2. Scope

This Guideline shall apply to all life insurers with:

- A. ...that meet any of the criteria determined by counterparty in subsections i through iv below:
 - i. In excess of \$5 billion of reserve credit or modified coinsurance reserve
 - ii. Combined reserve credit and modified coinsurance reserve in excess of:
 - (a) \$1 billion and
 - (b) 5% of ceding company Exhibit 5 gross life insurance plus Exhibit 5 gross annuity reserves plus Exhibit 7 reserves and separate account reserves to the extent such reserves are included in the combined reserve credit and modified coinsurance reserve.
 - iii. Combined reserve credit and modified coinsurance reserve in excess of:
 - (a) \$500 million and
 - (b) 10% of ceding company Exhibit 5 gross life insurance plus Exhibit 5 gross annuity reserves plus Exhibit 7 reserves and separate account reserves to the extent such reserves are included in the combined reserve credit and modified coinsurance reserve.
 - iv. Combined reserve credit and modified coinsurance reserve in excess of:
 - (a) \$100 million and
 - (b) 20% of ceding company Exhibit 5 gross life insurance plus Exhibit 5 gross annuity reserves plus Exhibit 7 reserves and separate account reserves to the extent such reserves are included in the combined reserve credit and modified coinsurance reserve.