



April 1, 2019

Director Chlora Lindley-Myers  
Missouri Department of Insurance, Financial Institutions  
and Professional Registration  
Chair, NAIC Reinsurance (E) Task Force  
Via email to [jstultz@naic.org](mailto:jstultz@naic.org) and [dschelp@naic.org](mailto:dschelp@naic.org)

Re: March 2019 Proposed Revisions to the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786)

Dear Director Lindley-Myers:

The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. Ninety million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 95 percent of industry assets in the United States. ACLI also represents all professional life reinsurers assuming mortality and morbidity risks in the United States.

#### **ACLI Generally Supports the March 2019 Draft Amendments.**

ACLI appreciates the opportunity to comment on the March 2019 proposed amendments to the NAIC *Credit for Reinsurance Model Law* (#785) and *Regulation* (#786) (CFR Models). We also appreciate the Task Force's and NAIC's thoughtful approach to drafting these amendments and to considering feedback from stakeholders.

#### **ACLI Encourages NAIC to Foster A Level Playing Field.**

- We believe that non-EU, non-UK NAIC qualified jurisdictions should recognize the U.S. state-based system of national regulation, including its approach to group capital and group supervision, as a condition of their reinsurers having collateral requirements similar to those under the covered agreements. The terms and conditions of that recognition and reciprocal collateral reduction should also be similar to those imposed by the covered agreements. That tack would reduce pressure for additional covered agreements, promote sound competition in the U.S. reinsurance market, and maintain consumer protection.

To accomplish this we recommend revising #785 – F.(1)(a)(iii) to read: “A qualified jurisdiction, as determined by the commissioner pursuant to [Subsection 2E(3) of *Credit for Reinsurance Model Law*], which is not otherwise described in subparagraph (i) or (ii) above and which meets certain additional requirements, consistent with terms and conditions of in-force covered agreements, as specified by the commissioner in regulation.” Adding the underlined language would help maintain a level playing field among the categories of reciprocal jurisdictions.

- We also urge the Task Force, as the NAIC Committee Process formalizes the standards and processes for implementing the amendments, to conform them as closely as possible to the analogous provisions in the covered agreements. We ask that those standards and processes be exposed in draft form, with opportunity for comment.

**ACLI Has Several Technical Comments in the CFR Models.**

- **#785 – F.(5):** We recommend adding the word “ceded” to describe the outstanding liabilities that the receivership court may require to be secured. Adding the word “ceded” conforms to Article 3, paragraph 4.(h) of both covered agreements.

The revised subsection F.(5) would read: “if subject to a legal process of resolution, receivership, or winding-up proceedings as applicable, the ceding insurer, or its representative, may seek and, if determined appropriate by the court in which the resolution, receivership, or winding-up proceedings is pending, may obtain an order requiring that the assuming reinsurer post collateral for all outstanding ceded liabilities; and...”

- **#785 – F.(6):** We recommend deleting the phrase “consistent herewith” to avoid any unintended implication that parties may not negotiate collateral between them.

The revised subsection F.(6) would read: “Nothing in this subsection shall limit or in any way alter the capacity of parties to a reinsurance agreement to agree on requirements for security or other terms in that reinsurance agreement ~~consistent herewith~~.”

- **#786 – 9.B.(3)(e):** We recommend deleting this subsection as an artefact of prior drafts, unnecessary given the rule-making discretion in #785 – (1)(a)(iii).

We stand ready to assist NAIC and state regulators in gaining timely passage of the amended Model Law on Credit for Reinsurance and working to support promulgation of the Model Regulation.

Sincerely,

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