

Conference Call

REINSURANCE (E) TASK FORCE
Thursday, December 11, 2014
12:00 Noon EASTERN

ROLL CALL

REINSURANCE (E) TASK FORCE

John M. Huff, Chair	Missouri	Monica J. Lindeen	Montana
Dave Jones, Vice Chair	California	Bruce R. Ramge	Nebraska
Jim L. Ridling	Alabama	Scott J. Kipper	Nevada
Jay Bradford	Arkansas	Kenneth E. Kobylowski	New Jersey
Thomas B. Leonardi	Connecticut	Benjamin M. Lawskey	New York
Karen Weldin Stewart	Delaware	John D. Doak	Oklahoma
Kevin M. McCarty	Florida	Michael F. Consedine	Pennsylvania
Ralph T. Hudgens	Georgia	Joseph Torti III	Rhode Island
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
Joseph G. Murphy	Massachusetts		

AGENDA

1. Consider Adoption of its Nov. 17 Minutes—*Director John M. Huff (MO)* Attachment 1
2. Consider Adoption of Summary of Findings and Determination(s) of Qualified Jurisdiction(s)—*John F. Finston (CA)* Attachment 2
 - Bermuda Monetary Authority (BMA)
 - Central Bank of Ireland (Central Bank)
 - Financial Services Agency of Japan (FSA)
 - France: Autorité de Contrôle Prudentiel et de Résolution (ACPR)
 - Germany: Federal Financial Supervisory Authority (BaFin)
 - Switzerland—Financial Market Supervisory Authority (FINMA)
 - United Kingdom: Prudential Regulation Authority of the Bank of England (PRA)
3. Consider Adoption of Uniform Application Checklist for Certified Reinsurers—*Steve Johnson (PA)*
 - Memorandum on Uniform Application Checklist for Certified Reinsurers Attachment 3
 - Uniform Application Checklist for Certified Reinsurers approved by Reinsurance Financial Analysis (E) Working Group dated Dec. 3, 2014 Attachment 4
4. Discuss Any Other Matters—*Director John M. Huff (MO)*

Draft Pending Adoption

Draft: 11/26/14

Reinsurance (E) Task Force
Washington, District of Columbia
November 17, 2014

The Reinsurance (E) Task Force met in Washington, DC, Nov. 17, 2014. The following Task Force members participated: John M. Huff, Chair (MO); Dave Jones, Vice Chair represented by John Finston (CA); Jim L. Ridling represented by Richard Ford (AL); Jay Bradford represented by Mel Anderson (AR); Thomas B. Leonardi represented by Kathy Belfi (CT); Karen Weldin Stewart represented by Linda Sizemore (DE); Kevin M. McCarty represented by David Altmaier (FL); Ralph T. Hudgens represented by Trey Sivley (GA); Andrew Boron represented by Eric Moser (IL); Stephen W. Robertson represented by Cynthia D. Donovan (IN); James J. Donelon represented by Stewart Guerin (LA); Joseph G. Murphy represented by Gary Anderson (MA); Eric A. Cioppa (ME); Monica J. Lindeen represented by Steve Matthews (MT); Bruce R. Ramage represented by Christy Neighbors (NE); Kenneth E. Kobylowski (NJ); Scott J. Kipper represented by Omar Akel (NV); Benjamin M. Lawskey represented by Martha Lees and Rolf Kaumann (NY); John D. Doak represented by Joel Sander (OK); Michael F. Consedine (PA); Joseph Torti III (RI); Todd E. Kiser represented by Jake Garn and David Snowball (UT); Jacqueline K. Cunningham represented by Doug Stolte (VA); Susan L. Donegan represented by David Provost (VT); Mike Kreidler represented by Bill Michels (WA); and Ted Nickel represented by Randy Milquet (WI).

1. Adopted its Oct. 29 and Sept. 15 Minutes

Director Huff said an e-vote was conducted Sept. 15, during which the Reinsurance (E) Task Force adopted its 2015 Proposed Charges. Commissioner Consedine made a motion, seconded by Mr. Finston, to adopt its Sept. 15 minutes. The motion passed without objection (Attachment One). Mr. Finston made a motion, seconded by Commissioner Consedine, to adopt its Oct. 29 minutes (Attachment Two). The motion passed unanimously.

2. Adopted the Report of the Qualified Jurisdiction (E) Working Group

Mr. Finston summarized the recent work of the Qualified Jurisdiction (E) Working Group. On Nov. 12, the Working Group issued a series of *Summaries of Findings and Determinations* recommending that the NAIC approve the following five reinsurance supervisory authorities as qualified jurisdictions under the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions* (Qualified Jurisdiction Process): the Bermuda Monetary Authority (BMA); the German Federal Financial Supervisory Authority (BaFin); the French Autorité de Contrôle Prudentiel et de Résolution (ACPR); the Central Bank of Ireland (Central Bank); and the United Kingdom's Prudential Regulation Authority of the Bank of England (PRA) (Attachment Three). If approved by the full NAIC membership, the jurisdictions would be placed on the *NAIC List of Qualified Jurisdictions* effective Jan. 1, 2015. Mr. Finston said that the Working Group also is currently evaluating the Swiss Financial Market Supervisory Authority (FINMA) and the Financial Services Agency of Japan (FSA), and expects to complete these reviews before the end of the year for consideration by the NAIC.

Mr. Finston went on to say that the Working Group exposed these recommendations for a two-week public comment period ending Nov. 26. The Working Group then will submit these recommendations to the Task Force on an open conference call in December. Upon approval by the Task Force, the recommendations will be submitted to the Executive (EX) Committee and Plenary for a vote prior to the end of the year. They will also be provided to the Federal Insurance Office (FIO) and the Office of the United States Trade Representative (USTR) for consultation purposes. Upon the NAIC's adoption of the recommendations, these jurisdictions will be added to the *NAIC List of Qualified Jurisdictions*. Once approved, a qualified jurisdiction is subject to re-evaluation every five years, unless there is a material change in circumstances.

Mr. Finston next described the process under which the Working Group evaluated each jurisdiction. Under the requirements of the Qualified Jurisdiction Process, the Working Group performed an initial evaluation of each jurisdiction's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology. The Working Group began by undertaking a review of the most recent Detailed Assessment of Observance on Insurance Core Principles under the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP 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, including the Solvency II Equivalency assessments by the European Insurance and Occupational Pensions Authority (EIOPA), where appropriate.

Mr. Finston also noted that the Working Group invited each jurisdiction to provide information relative to Section A through Section G of the Evaluation Methodology in order to update, complete or supplement publicly available information. The

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Working Group's review was 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 framework and other factors set forth in the Evaluation Methodology. NAIC staff then collected all the information for each jurisdiction and created confidential workpapers containing the staff's initial review and findings with respect to each jurisdiction for the Working Group's review. The Working Group then reviewed each jurisdiction in detail during a series of conference calls held Nov. 7, Oct. 15, Oct. 8, Sept. 10, Sept. 8, Sept. 5 and Sept. 4. These calls were held in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings and the Qualified Jurisdiction Process.

Mr. Finston stated that following these calls, the Working Group submitted additional questions to each jurisdiction on issues that were raised during the reviews. Upon reviewing the responses to these questions, the Working Group issued a Preliminary Evaluation Report to each jurisdiction containing the Working Group's initial findings and preliminary recommendation. After giving each jurisdiction an opportunity to respond to this report, the Working Group issued its Final Evaluation Report, and issued a Summary of Findings and Determination for public comment.

Mr. Finston made a motion, seconded by Commissioner Consedine, to adopt the report of the Qualified Jurisdiction (E) Working Group, and asked Director Huff to schedule a conference call of the Task Force in mid-December to review and approve the Working Group's recommendations with respect to each jurisdiction, including Switzerland and Japan upon the Working Group's completion of their reviews. The motion passed unanimously. Director Huff advised the Task Force that he would schedule an interim conference call of the Task Force in December to review and formally approve the Working Group's recommendations concerning qualified jurisdictions.

3. Adoption of the Reinsurance Financial Analysis (E) Working Group Report

Director Huff asked Dan Schelp (NAIC) to give the report of the Reinsurance Financial Analysis (E) Working Group. Mr. Schelp said that the Working Group met via conference call Oct. 20 and Sept. 25. These calls were held in regulator-to-regulator session pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings. The Working Group took several actions during these calls, including: 1) completed peer reviews of new and renewal certified reinsurer filings; 2) discussed and addressed specific issues with respect to individual certified reinsurer filings; 3) received updates and discussed recent reports with respect to developments in the reinsurance market; 4) discussed suggestions regarding state insurance department practices in the process of certifying reinsurers; and 5) discussed the proposed Uniform Application Checklist for Certified Reinsurers (Checklist). Mr. Schelp also noted that he had received comments from certified reinsurers to the effect that the Working Group's passporting process is working well in the states.

Mr. Schelp reminded the Task Force that on its Oct. 29 conference call, it had considered for adoption a draft of the Checklist dated Sept. 25 that had been approved by the Working Group. The Task Force had received substantive comments prior to its Aug. 17 meeting and directed the Working Group at that time to again address the Checklist. The Working Group reviewed the comment letters on its Sept. 25 conference call and suggested several changes in the draft Checklist:

- “Commit to comply with the other reasonable requirements deemed necessary ~~and reasonable~~ for certification by the certifying state. Failure to comply with such other requirement could disqualify the reinsurer from certification or reduce its Secure Rating Level.”
- The following language was added by Working Group with respect to a de minimis exception: “The applicant must provide the following if 1) at the individual cedent level, the reinsurer has 10% of its recoverables for/payable to any individual US cedent, or 2) at the aggregate level, the reinsurer has claims that are in dispute and/or more than 90 days past due that are 1% or more of its total recoverables for/payables to all US cedents.”

Mr. Schelp went on to state that on the Task Force's Oct. 29 call, Steve Johnson (PA) recommended that the Sept. 25 draft of the Checklist be exposed for a public comment period ending Nov. 10, which was approved by the Task Force. The Working Group reviewed the draft Checklist via e-mail prior to Nov. 10, and the Working Group made two additional changes in the Nov. 6 draft of the Checklist (Attachment Four): 1) the Checklist was made applicable to both initial applications and to renewal applications; and 2) the de minimis exception was revised to apply to “net reinsurance recoverables” and deleted the “recoverables for/payable to” language. The Task Force then exposed the updated Checklist for another comment period and received nine comment letters from interested parties prior to this meeting (Attachment Five), as well as several comments from members of the Task Force. Mr. Schelp said that given the number of additional comments received, and the fact that the Task Force would be holding an interim call in December, it is his recommendation that the Task Force consider deferring any action on the Checklist at this time.

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Director Huff advised the Task Force that it would be his preference for the Task Force to adopt the Checklist at this meeting, if possible, but this is a lengthy list of comments, and it may also be appropriate to refer the matter back to the Working Group for further consideration. Commissioner Consedine made a motion, seconded by Mr. Milquet, to refer the Nov. 6 draft of the Checklist back to the Working Group for further review, and prepare another draft of the Checklist for consideration by the Task Force on the December interim conference call. The motion passed unanimously.

4. Received Updates on the NAIC's Efforts Regarding Insurers' Use of Captive Reinsurers

Director Huff asked Mr. Schelp to provide an update to the Task Force on developments from the Principle-Based Reserving Implementation (EX) Task Force regarding the XXX/AXXX Captive Reinsurance Framework. Mr. Schelp stated that the Task Force that morning had adopted the draft of Actuarial Guideline XLVIII (AG 48). Mr. Schelp further stated that neither the Executive (EX) Committee nor the Plenary would vote on it at the Fall National Meeting, but would hold an interim conference call vote prior to the end of the year.

Mr. Schelp further noted that the Reinsurance (E) Task Force has created a XXX/AXXX Model Regulation Drafting Group chaired by Mr. Stolte to prepare a draft regulation for review by the Task Force incorporating the provisions of AG 48, which is intended to eventually become an accreditation requirement for the NAIC. The Drafting Group held an interim call to begin discussions regarding the model regulation and had questions with respect to the Task Force regarding charges concerning the drafting of the model regulation. On the Task Force's Oct. 29 call, Director Huff directed the Drafting Group to refrain from beginning any drafting on the model regulation until the Principle-Based Reserving Implementation (EX) Task Force had finished its work on AG 48. Once it had completed its work on AG 48, the Drafting Group can determine whether it believes that any changes to the AG 48 approach should be made in the model regulation. If the Drafting Group is of the opinion that any substantive modifications should be made to the AG 48 approach as it finalizes the model regulation, it should submit these proposed changes back to the Principle-Based Reserving Implementation (EX) Task Force for further guidance.

Superintendent Torti confirmed to the Reinsurance (E) Task Force that it was the intent of the Principle-Based Reserving Implementation (EX) Task Force that AG 48 should be incorporated into the model regulation in its current form, but if the Drafting Group provides any recommendations that would modify the XXX/AXXX Captive Reinsurance Framework, it should seek guidance from the Principle-Based Reserving Implementation (EX) Task Force before it implements the draft model regulation. Mr. Schelp advised the Reinsurance (E) Task Force that the Drafting Group is not a formal group of the NAIC, but is composed of members of the Reinsurance (E) Task Force to put together a draft of the model regulation for further discussion and review by the Reinsurance (E) Task Force in open session.

Director Huff provided an update to the Reinsurance (E) Task Force on the proposed amendments to the NAIC Financial Regulation Standards and Accreditation Program Guidance on the definition of "multi-state reinsure." At the Spring National Meeting, the Financial Regulation Standards and Accreditation (F) Committee released a proposal for accreditation standards to be applied to captive reinsurance transactions with multi-state reinsurers. The Committee received several strong responses to this proposal. It was decided at that time to defer action on this proposal until the NAIC had made progress on AG 48. On Nov. 16, the Committee directed NAIC staff to prepare a new proposal with respect to captive reinsurers for release prior to the end of the year. This new proposal will narrow the scope of the application of the accreditation standards for captive reinsurers to XXX/AXXX reserves, variable annuities and long-term care (LTC) insurance, as these types of captives have raised concerns by regulators with respect to transparency.

5. Received Status Report on the States' Implementation of the Model #785 and Model #786

Director Huff provided an update on state efforts to implement the 2011 reinsurance collateral revisions to the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786). To date, 23 states have passed legislation to implement the revised NAIC models, with insurers domiciled in these states representing more than 60% of the direct insurance premium written in the U.S. across all lines of business. Five additional states are considering the legislation for 2015, and these five additional states would raise this market share to approximately 80%.

Director Huff went on to state that, to date, more than 30 reinsurers have been certified by various states and afforded the business opportunity to operate with reduced collateral, with additional reinsurers in the queue for consideration. The NAIC has implemented a process to facilitate a certified reinsurer's ability to "passport" into other states based on its initial certification, and the vast majority of these reinsurers are in a position to apply for passporting at this time. To date, 26 of these certified reinsurers have been reviewed and passported by the Reinsurance Financial Analysis (E) Working Group.

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Once the Checklist is approved, this will greatly enhance the states' efforts in swiftly and efficiently approving certified reinsurers. Finally, the Task Force will continue to monitor the progress of its implementation efforts and will communicate with the FIO and other federal authorities as appropriate.

Mr. Schelp advised the Task Force that he had a conversation immediately preceding the meeting with Dr. York von Falkenhayn (Hannover Re), who stated that the passporting process was working well for Hannover Re as a certified reinsurer, and that it is improving as states and certified reinsurers gain more experience in the process. Mr. Finston reported that California has an application for passporting on its website, and he believes that other states are doing this as well.

6. Discussed Uniformity of the States' Adoption of Certified Reinsurer Revisions

Director Huff advised the Task Force that one of the biggest state implementation efforts that the Task Force originally undertook was to draft the accreditation standards for certified reinsurers. The accreditation standard that the NAIC ultimately adopted is an optional standard; that is, it is not required to be adopted by the states, but any reinsurance collateral reduction legislation enacted by a state must be substantially similar to the key elements of the models.

Director Huff went on to state that when the Task Force originally adopted the optional accreditation standard for certified reinsurers, the issue of uniformity was an important consideration; i.e., must every state adopt the certified reinsurer provisions. The current accreditation standards apply minimum financial solvency requirements and only require that a state's laws be similar in force and no less effective than the model. The Task Force agreed to re-examine the issue of uniformity in a memorandum dated May 9, 2012: "The Task Force will revisit the issue of uniformity within three years of the adoption of this standard by the NAIC. The Task Force recognizes the importance of uniformity among NAIC jurisdictions, and emphasizes that those states adopting reduced collateral requirements should be required to do so in accordance with the revised models for the purposes of NAIC Accreditation." In addition, the NAIC agreed to periodically re-examine the issues of uniformity and collateral levels during the EU/U.S. Dialogue Project. It has been three years since the NAIC adopted the certified reinsurer provisions, and Director Huff asked Mr. Matthew Wulf (Reinsurance Association of America—RAA) to lead a discussion of this issue with the Task Force.

Mr. Wulf stated that it is time to revisit the accreditation standards related to credit for reinsurance, in particular the certified reinsurer provisions. He believes that the optional accreditation standard for certified reinsurers is a reflection on the divisions that existed among parties when the revisions to the models were first introduced. The current "optional" accreditation standard sends an inconsistent message in international discussions. That is, the NAIC maintains that it is an important priority issue in international discussions, yet state implementation of the certified reinsurer provisions is relegated to an optional and weaker standard. Mr. Wulf does not believe the certified reinsurer provisions should be a weaker standard because they actually strengthen state regulation of credit for reinsurance based on all the information that state regulators are receiving regarding the financial solvency of certified reinsurers.

Mr. Wulf believes that state insurance departments need the credit for reinsurance reforms to be a full accreditation standard because it will aid in getting this legislation passed through the states. Passage of the certified reinsurer provisions throughout the states is not only advantageous to the NAIC's position internationally, but also it is necessary in practice because of the regional nature of some reinsurance agreements. For example, if an insurance company is writing business in several states, but one state in a program does not recognize certified reinsurers, it may be necessary that the whole reinsurance program is required to be 100% collateralized. Making the credit for reinsurance reforms an accreditation standard also will aid the NAIC in its discussions with the FIO regarding covered agreements. There also appears to have been an inadvertent inclusion of the concentration risk provisions of the credit for reinsurance revisions as a requirement for accreditation purposes, when it was the original intent of the Task Force to only require states to adopt the concentration risk provisions if they adopt reinsurance collateral reform. States have not uniformly adopted the concentration risk provisions as required under the current Part A accreditation standards. Mr. Wulf concluded that he believes that it is time to make the certified reinsurer standards part of the full Part A accreditation standards. The RAA is committed in getting the certified reinsurer provisions passed in all NAIC member jurisdictions.

Director Huff thanked Mr. Wulf for the RAA's contributions in the certified reinsurer implementation process and stated that the Task Force would further look into the accreditation standard for the concentration risk provisions. Commissioner Consedine asked the RAA that if the NAIC made the certified reinsurer provisions a full accreditation requirement, would this change the RAA's position with respect to the necessity of a covered agreement. Ms. Tracey Laws (RAA) advised the Task Force that the RAA's position on covered agreements is broader than just reinsurance collateral reduction. Rather, the RAA's position is that a covered agreement is important to bolster state regulation, and further to gain some advantage for U.S. insurance companies in the dialogue with Europe on group supervision and reinsurance. Ms. Laws said that the FIO has

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taken the position that it would use the credit for reinsurance models as the basis in its negotiations on a covered agreement. Even if this is made an accreditation standard, it also takes time for the states to implement reinsurance collateral reduction reform. Ms. Laws concluded that there are larger considerations at play than just the uniformity of the certified reinsurer provisions among the states. Superintendent Torti said that making this a full accreditation standard would be different from what is required under the current accreditation requirements, which only require that a state's law must be equally as effective as the model and that if a state's law is considered more conservative than the model, a state is not required to adopt the model. However, he believes that uniformity is an important consideration, and he thinks that this should be taken to the Financial Regulation Standards and Accreditation (F) Committee for further discussion. Director Huff agreed that there should be further discussion around the issue of uniformity.

7. Discussed Other Matters

Mr. Finston advised the Task Force that the Mortgage Guaranty Insurance (E) Working Group is currently considering a new model act. He said that one provision in the current draft of the model addresses reinsurance provided by non-U.S. reinsurers and requires these reinsurers to post 100% collateral for this reinsurance. Mr. Finston is concerned that this is inconsistent with the credit for reinsurance models and suggested that the Task Force take a look at this provision before the model is finalized. Mr. Wulf also thinks it would be helpful for the Task Force to weigh in on this issue and is concerned that this provision is still in the draft of the model. Director Huff said he would seek clarification on this model from the chair of the Working Group.

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

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National Association *of* Insurance Commissioners

Summary of Findings and Determination
BERMUDA MONETARY AUTHORITY

Issued for Public Comment By:

Qualified Jurisdiction (E) Working Group

November 12, 2014

I. Evaluation of Bermuda Monetary Authority

The Qualified Jurisdiction (E) Working Group of the National Association of Insurance Commissioners (NAIC) has completed this Summary of Findings and Determination with respect to the Bermuda Monetary Authority (BMA). It is the recommendation of the Working Group that the NAIC recognize the BMA as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015, after which the BMA will be re-evaluated every five years. Further, the Working Group recommends that the BMA's status as a Qualified Jurisdiction only be applicable to (re)insurers of Class 3A, Class 3B and Class 4, and long-term insurers of Class C, Class D and Class E. Finally, the Working Group recommends that Florida be designated the Lead State for purposes of regulatory cooperation and information sharing with the BMA. These recommendations are based on the following analysis:

II. Procedural History

The NAIC adopted the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions* (Qualified Jurisdiction Process) on August 27, 2013 (which was further amended on August 19, 2014). The revised *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) (collectively, the "Credit for Reinsurance Models") 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. The purpose of the Qualified Jurisdiction Process is to provide a documented evaluation process for creating and maintaining an NAIC list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. Toward this end, the Qualified Jurisdiction Process designates key elements believed to be basic building blocks for sound (re)insurance regulation. Each jurisdiction under consideration to be included on the *NAIC List of Qualified Jurisdictions* is requested to submit detailed information in support of these criteria. In addition, the NAIC review will also rely on publicly available reports evaluating the reinsurance regulatory practices of each jurisdiction.

The NAIC invited the BMA to participate in an expedited review under the Qualified Jurisdiction Process by letter dated August 29, 2013, which was immediately accepted by the BMA. Notice of the BMA agreement to participate in the expedited review procedure was sent to the Federal Insurance Office (FIO) and the United States Trade Representative (USTR) on October 9, 2013. The NAIC issued public notice on its website of the BMA's participation in the evaluation process, and requested interested parties to submit public comments with respect to the BMA by the close of business October 18, 2013. The Working Group received one comment letter by the close of the comment period, which was supportive of designating the BMA a Conditional Qualified Jurisdiction.

The NAIC designated the BMA as a Conditional Qualified Jurisdiction effective January 1, 2014, with the designation to continue for one year, unless: (1) an extension is granted by the Working Group; or (2) a determination is made that the jurisdiction is not a Qualified Jurisdiction. The Working Group met in regulator-to-regulator session on September 10, 2014, to review initial findings prepared by NAIC staff to determine whether the BMA should be approved as a Qualified Jurisdiction for a 5-year period.

The Working Group requested additional supplementary information from the BMA with respect to specific questions raised during this meeting, which the BMA provided to the Working Group on September 17, 2014. The BMA also participated in discussions with NAIC staff on the questions identified. The Working Group provided the BMA with the Preliminary Evaluation Report on October 10, 2014, and the BMA provided a response to the initial findings and determination on October 14, 2014. This response was considered by the Working Group in the preparation of the Final Evaluation Report, which the Working Group approved on November 7, 2014.

III. Review of Evaluation Materials

Under the requirements of the Qualified Jurisdiction Process, the Working Group performed an initial evaluation of the BMA's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology (Evaluation Materials). The Working Group began by undertaking a review of the most recent Detailed Assessment of Observance on Insurance Core Principles under the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP 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 also invited the BMA to provide information relative to Section A through Section G of the Evaluation Methodology in order to update, complete or supplement publicly available information. The Working Group's review was focused on how the BMA'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 framework and other factors set forth in the Evaluation Methodology.

The Working Group considered the following information with respect to preliminary evaluation of the BMA:

1. *International Monetary Fund (IMF) Country Report No. 08/336, Bermuda: Assessment of Financial Sector Supervision and Regulation – September 8, 2008.*
2. *Annex I [to the IMF Report]: Report on the Observance of Standards and Codes (ROSC) for the International Association of Insurance Supervisors' (IAIS) Insurance Core Principles.*
3. *Update on Assessment of Financial Sector Supervision and Regulation—Bermuda's Observance of Insurance Core Principles (IMF Country Report No. 08/336).*
4. *EIOPA Advice to the European Commission: Equivalence assessment of the Bermudian supervisory system in relation to articles 172, 227 and 260 of the Solvency II Directive, (former Consultation Paper no. 4/2011).*
5. *Enforcement of Foreign Judgments 2013: Bermuda (Law Business Research Ltd, 2012).*
6. *Memorandum of Understanding between Florida Office of Insurance Regulation and Bermuda Monetary Authority, September 24, 2009.*
7. *Comment letters from interested parties received pursuant to notice (Confidential).*
8. *BMA comment letter dated November 25, 2013 (Confidential).*

9. *BMA NAIC Qualified Jurisdiction Assessment: Summary of Appendices A & B, August 13, 2014 (Confidential).*
10. *NAIC Staff Workpapers on Initial Findings dated August 27, 2014 (Confidential).*
11. *BMA's answers to NAIC's additional questions, September 17, 2014 (Confidential).*
12. *BMA's response to Preliminary Evaluation Report, October 14, 2014 (Confidential).*

IV. 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.

V. Summary of Findings and Recommendation

The Working Group finds that it has performed the required review of the Evaluation Materials, including review of the publicly available information, and that the BMA provided the Working Group with information relative to Section A through Section G of the Evaluation Methodology to update and supplement the identified public information. The Working Group further finds that interested parties were given an opportunity to comment on the BMA's application and that no objections to granting the BMA Qualified Jurisdiction status were received from interested parties. Further, appropriate notice was provided to the FIO and the USTR. Based on the information provided by the BMA and the review of the Evaluation Materials, the Working Group has determined that there is no indication that Bermuda fails to adequately and promptly enforce final U.S. judgments and arbitration awards.

Finally, the Working Group notes that the Florida Office of Insurance Regulation has entered into a Memorandum of Understanding (MOU) with the BMA, and has consented to act as the Lead State for purposes of regulatory cooperation and information sharing under the Qualified Jurisdiction Process, and further that the BMA has consented to the designation of Florida as the Lead State, with the requirement that in circumstances where requests are made to share information with other U.S. states, especially those who are not already signatories to the IAIS MMoU or where the BMA does not have a bilateral MoU, the BMA would be required to assess the state's confidentiality and information sharing framework and ensure that this framework is similar to that of Bermuda's. This Lead State designation for purposes of regulatory cooperation and information sharing should not be confused with the Lead State designation by the Reinsurance Financial Analysis (E) Working Group for individual certified reinsurers for passporting purposes.

The Working Group has reached the conclusion that the BMA's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is acceptable for purposes of reinsurance collateral reduction, that the BMA's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that its laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models.

Therefore, it is the recommendation of the Working Group that the NAIC recognize the BMA as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015. Further, the Working Group recommends that the BMA's status as a Qualified Jurisdiction only be applicable to (re)insurers of Class 3A, Class 3B and Class 4, and long-term insurers of Class C, Class D and Class E. This designation as a Qualified Jurisdiction shall be valid for five years (absent a material change in circumstances), after which the BMA will be re-evaluated under the provisions of the Qualified Jurisdiction Process.



National Association *of* Insurance Commissioners

Summary of Findings and Determination

CENTRAL BANK OF IRELAND

Issued for Public Comment By:

Qualified Jurisdiction (E) Working Group

November 12, 2014

I. Evaluation of Central Bank of Ireland

The Qualified Jurisdiction (E) Working Group of the National Association of Insurance Commissioners (NAIC) has completed this Summary of Findings and Determination with respect to the Central Bank of Ireland (Central Bank). It is the recommendation of the Working Group that the NAIC recognize the Central Bank as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015, after which the Central Bank will be re-evaluated every five years. Further, the Working Group recommends that Delaware be designated the Lead State for purposes of regulatory cooperation and information sharing with the Central Bank. These recommendations are based on the following analysis:

II. Procedural History

The NAIC adopted the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions* (Qualified Jurisdiction Process) on August 27, 2013 (which was further amended on August 19, 2014). The revised *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) (collectively, the “Credit for Reinsurance Models”) 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. The purpose of the Qualified Jurisdiction Process is to provide a documented evaluation process for creating and maintaining an NAIC list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. Toward this end, the Qualified Jurisdiction Process designates key elements believed to be basic building blocks for sound (re)insurance regulation. Each jurisdiction under consideration to be included on the *NAIC List of Qualified Jurisdictions* is requested to submit detailed information in support of these criteria. In addition, the NAIC review will also rely on publicly available reports evaluating the reinsurance regulatory practices of each jurisdiction.

The Central Bank submitted an application to the Delaware Department of Insurance on September 19, 2013, to be considered a Conditional Qualified Jurisdiction pursuant to the expedited review procedure under the Qualified Jurisdiction Process. The Department recognized the Central Bank as a qualified jurisdiction under Delaware law on December 4, 2013. The NAIC formally invited the Central Bank to participate in a review under the Qualified Jurisdiction Process by letter dated March 14, 2014, which was accepted by the Central Bank on April 9, 2014. Notice of the Central Bank’s agreement to participate in the review procedure was sent to the Federal Insurance Office (FIO) and the United States Trade Representative (USTR) on April 10, 2014. The NAIC issued public notice on its website of the Central Bank’s participation in the evaluation process, and requested interested parties to submit public comments with respect to the Central Bank by the close of business May 12, 2014. The Working Group received one comment letter by the close of the comment period, which was supportive of designating the Central Bank as a Qualified Jurisdiction.

The Working Group met in regulator-to-regulator session on September 4, 2014, to review initial findings prepared by NAIC staff to determine whether the Central Bank should be approved as a Qualified Jurisdiction for a 5-year period. The Working Group requested additional supplementary

information from the Central Bank with respect to specific questions raised during this meeting, which the Central Bank provided to the Working Group on September 22, 2014. The Working Group provided the Central Bank with the Preliminary Evaluation Report on October 10, 2014, and the Central Bank provided a response to the initial findings and determination on October 15, 2014. This response was considered by the Working Group in the preparation of the Final Evaluation Report, which the Working Group approved on November 7, 2014.

III. Review of Evaluation Materials

Under the requirements of the Qualified Jurisdiction Process, the Working Group performed an initial evaluation of the Central Bank's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology (Evaluation Materials). The Working Group began by undertaking a review of the most recent 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, but did not rely on the most recent Detailed Assessment of Observance on Insurance Core Principles under the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP Report), which was issued in 2006 and is no longer considered reflective of the current regulatory regime.

The Working Group also reviewed information the Central Bank provided to the Delaware Department of Insurance relative to Section A through Section G of the Evaluation Methodology in order to update, complete or supplement publicly available information. The Working Group's review was focused on how the Central Bank'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 framework and other factors set forth in the Evaluation Methodology.

The Working Group considered the following information with respect to the preliminary evaluation of the Central Bank:

1. *International Monetary Fund (IMF), Ireland, Detailed Assessment of Observance: IOSCO Objectives and Principles of Security Regulation, April 2014.*
2. *International Monetary Fund (IMF), Ireland, Detailed Assessment of Observance of Basel Core Principles for Effective Banking Supervision, May 2014 (IMF Country Report No. 14/135).*
3. *International Monetary Fund (IMF), Ireland, Observance of Standards and Codes (ROSC), May 2014 (IMF Country Report No. 14/137).*
4. *Enforcement of Foreign (Non-EU) Judgments in Ireland—Current State of Play? (Arthur Cox March 2012).*
5. *Comment letters received from interested parties pursuant to notice (Confidential).*

6. *Central Bank of Ireland Submission to the Delaware Department of Insurance, Part IV of the Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions, September 13, 2013 (Confidential).*
7. *Delaware Department of Insurance Qualified Jurisdiction Review - Central Bank of Ireland, October 29, 2013 (Confidential).*
8. *NAIC Staff Workpapers on Initial Review and Findings dated July 25, 2014 (Confidential).*
9. *Central Bank of Ireland Outstanding Queries from NAIC Qualified Jurisdiction Assessment, September 22, 2014 (Confidential).*
10. *Central Bank's response to Preliminary Evaluation Report, October 15, 2014 (Confidential).*

IV. 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.

V. Summary of Findings and Recommendation

The Working Group finds that it has performed the required review of the Evaluation Materials, including review of the publicly available information, and that the Central Bank provided the Working Group with information relative to Section A through Section G of the Evaluation Methodology to update and supplement the identified public information. The Working Group further finds that interested parties were given an opportunity to comment on the Central Bank's application and that no objections to granting the Central Bank Qualified Jurisdiction status were received from interested parties. Further, appropriate notice was provided to the FIO and the USTR. Based on the information provided by the Central Bank and the review of the Evaluation Materials, the Working Group has determined that there is no indication that Ireland fails to adequately and promptly enforce final U.S. judgments and arbitration awards.

Finally, the Working Group notes that the Delaware Department of Insurance has entered into a Memorandum of Understanding (MOU) with the Central Bank, and has consented to act as the Lead State for purposes of regulatory cooperation and information sharing under the Qualified Jurisdiction Process, and further that the Central Bank has consented to the designation of Delaware as the Lead State. This Lead State designation for purposes of regulatory cooperation and information sharing

should not be confused with the Lead State designation by the Reinsurance Financial Analysis (E) Working Group for individual certified reinsurers for passporting purposes.

The Working Group has reached the conclusion that the Central Bank's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is acceptable for purposes of reinsurance collateral reduction, that the Central Bank's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that its laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models. Therefore, it is the recommendation of the Working Group that the NAIC recognize the Central Bank as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015. This designation as a Qualified Jurisdiction shall be valid for five years (absent a material change in circumstances), after which the Central Bank will be re-evaluated under the provisions of the Qualified Jurisdiction Process.



National Association *of* Insurance Commissioners

Summary of Findings and Determination

**Japan:
Financial Services Agency (FSA)**

Issued for Public Comment By:

Qualified Jurisdiction (E) Working Group

November 21, 2014

I. Evaluation of Financial Services Agency of Japan

The Qualified Jurisdiction (E) Working Group of the National Association of Insurance Commissioners (NAIC) has completed this Summary of Findings and Determination with respect to the Financial Services Agency of Japan (FSA). It is the recommendation of the Working Group that the NAIC recognize the FSA as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015, after which the FSA will be re-evaluated every five years. Further, the Working Group recommends that California be designated the Lead State for purposes of regulatory cooperation and information sharing with the FSA. These recommendations are based on the following analysis:

II. Procedural History

The NAIC adopted the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions* (Qualified Jurisdiction Process) on August 27, 2013 (which was further amended on August 19, 2014). The revised *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) (collectively, the “Credit for Reinsurance Models”) 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. The purpose of the Qualified Jurisdiction Process is to provide a documented evaluation process for creating and maintaining an NAIC list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. Toward this end, the Qualified Jurisdiction Process designates key elements believed to be basic building blocks for sound (re)insurance regulation. Each jurisdiction under consideration to be included on the *NAIC List of Qualified Jurisdictions* is requested to submit detailed information in support of these criteria. In addition, the NAIC review will also rely on publicly available reports evaluating the reinsurance regulatory practices of each jurisdiction.

The NAIC formally invited the FSA to participate in a review under the Qualified Jurisdiction Process by letter dated April 21, 2014, which was accepted by the FSA on May 8, 2014. Notice of the FSA’s agreement to participate in the review procedure was sent to the Federal Insurance Office (FIO) and the United States Trade Representative (USTR) on May 12, 2014. The NAIC issued public notice on its website of the FSA’s participation in the evaluation process, and requested interested parties to submit public comments with respect to the FSA by the close of business June 11, 2014. The Working Group received one comment letter by the close of the comment period, which was supportive of designating the FSA as a Qualified Jurisdiction.

The Working Group met in regulator-to-regulator session on October 15, 2014, to review initial findings prepared by NAIC staff to determine whether the FSA should be approved as a Qualified Jurisdiction for a 5-year period. The Working Group requested additional supplementary information from the FSA with respect to specific questions raised during this meeting, which the FSA provided to the Working Group on November 12, 2014. The Working Group provided the FSA with the Preliminary Evaluation Report on November 17, 2014, and the FSA provided a response to the initial findings and determination on

November 21, 2014. This response was considered by the Working Group in the preparation of the Final Evaluation Report, which the Working Group approved as of November 21, 2014.

III. Review of Evaluation Materials

Under the requirements of the Qualified Jurisdiction Process, the Working Group performed an initial evaluation of the FSA's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology (Evaluation Materials). The Working Group began by undertaking a review of the most recent Detailed Assessment of Observance on Insurance Core Principles under the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP 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 also reviewed information the FSA provided relative to Section A through Section G of the Evaluation Methodology. The Working Group's review was focused on how Japan'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 framework and other factors set forth in the Evaluation Methodology.

The Working Group considered the following information with respect to the evaluation of the FSA:

1. *Japan: Financial Sector Assessment Program—Detailed Assessment of Observance of Insurance Core Principles, August 2012 (International Monetary Fund Country Report No. 12/228).*
2. *EIOPA Advice to the European Commission: Equivalence assessment of the Japanese supervisory system in relation to Article 172 of the Solvency II Directive (former Consultation Paper no. 5/2011).*
3. *Enforcement of Foreign Judgments 2013: Japan (Law Business Research Ltd, 2012).*
4. *Comment letters from interested parties received pursuant to notice. (Confidential)*
5. *JFSA's legislative and supervisory update as of July 2014. (Confidential)*
6. *JFSA comments regarding Sections C – G. (Confidential)*
7. *Memorandum to NAIC from outside counsel dated September 12, 2014. (Confidential)*
8. *NAIC Staff Workpapers on Initial Review and Findings dated September 30, 2014. (Confidential)*
9. *JFSA's additional information regarding NAIC's questions, November 12, 2014. (Confidential)*
10. *JFSA's response to Preliminary Evaluation Report, November 21, 2014. (Confidential)*

IV. 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.

V. Summary of Findings and Recommendation

The Working Group finds that it has performed the required review of the Evaluation Materials, including review of the publicly available information, and that the FSA provided the Working Group with information relative to Section A through Section G of the Evaluation Methodology to update and supplement the identified public information. The Working Group further finds that interested parties were given an opportunity to comment on the FSA's application and that no objections to granting the FSA Qualified Jurisdiction status were received from interested parties. Further, appropriate notice was provided to the FIO and the USTR. Based on the information provided by the FSA and the review of the Evaluation Materials, the Working Group has determined that there is no indication that Japan fails to adequately and promptly enforce final U.S. judgments and arbitration awards.

Finally, the Working Group notes that the FSA and the California Department of Insurance are signatories to the IAIS Multilateral Memorandum of Understanding (MMoU), and that California has consented to act as the Lead State for purposes of regulatory cooperation and information sharing under the Qualified Jurisdiction Process, and further that the FSA has consented to the designation of California as the Lead State. This Lead State designation for purposes of regulatory cooperation and information sharing should not be confused with the Lead State designation by the Reinsurance Financial Analysis (E) Working Group for individual certified reinsurers for passporting purposes.

The Working Group has reached the conclusion that the FSA's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is acceptable for purposes of reinsurance collateral reduction, that the FSA's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that its laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models. Therefore, it is the recommendation of the Working Group that the NAIC recognize the FSA as a Qualified Jurisdiction with respect to reinsurance companies regulated by the FSA, and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015. This designation as a Qualified Jurisdiction shall be valid for five years (absent a material change in circumstances), after which the FSA will be re-evaluated under the provisions of the Qualified Jurisdiction Process.



National Association *of* Insurance Commissioners

Summary of Findings and Determination

**France: Autorité de Contrôle
Prudentiel et de Résolution (ACPR)**

Issued for Public Comment By:

Qualified Jurisdiction (E) Working Group

November 12, 2014

I. Evaluation of France: Autorité de Contrôle Prudentiel et de Résolution

The Qualified Jurisdiction (E) Working Group of the National Association of Insurance Commissioners (NAIC) has completed this Summary of Findings and Determination with respect to France: Autorité de Contrôle Prudentiel et de Résolution (ACPR). It is the recommendation of the Working Group that the NAIC recognize the ACPR as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015, after which the ACPR will be re-evaluated every five years. Further, the Working Group recommends that California be designated the Lead State for purposes of regulatory cooperation and information sharing with the ACPR, on an interim basis, until the bilateral MOU between the ACPR and New York has been updated, at which time New York will begin acting as the Lead State. These recommendations are based on the following analysis:

II. Procedural History

The NAIC adopted the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions* (Qualified Jurisdiction Process) on August 27, 2013 (which was further amended on August 19, 2014). The revised *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) (collectively, the “Credit for Reinsurance Models”) 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. The purpose of the Qualified Jurisdiction Process is to provide a documented evaluation process for creating and maintaining an NAIC list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. Toward this end, the Qualified Jurisdiction Process designates key elements believed to be basic building blocks for sound (re)insurance regulation. Each jurisdiction under consideration to be included on the *NAIC List of Qualified Jurisdictions* is requested to submit detailed information in support of these criteria. In addition, the NAIC review will also rely on publicly available reports evaluating the reinsurance regulatory practices of each jurisdiction.

The ACPR submitted an application to the Delaware Department of Insurance on October 18, 2013, to be considered a Conditional Qualified Jurisdiction pursuant to the expedited review procedure under the Qualified Jurisdiction Process. The NAIC formally invited the ACPR to participate in a review under the Qualified Jurisdiction Process by letter dated March 14, 2014, which was accepted by the ACPR on March 17, 2014. Notice of the ACPR’s agreement to participate in the review procedure was sent to the Federal Insurance Office (FIO) and the United States Trade Representative (USTR) on April 2, 2014. The NAIC issued public notice on its website of the ACPR’s participation in the evaluation process, and requested interested parties to submit public comments with respect to the ACPR by the close of business May 2, 2014. The Working Group received one comment letter by the close of the comment period, which was supportive of designating the ACPR as a Qualified Jurisdiction.

The Working Group met in regulator-to-regulator session on September 5, 2014, to review initial findings prepared by NAIC staff to determine whether the ACPR should be approved as a Qualified Jurisdiction for a 5-year period. The Working Group requested additional supplementary information from the ACPR with respect to specific questions raised during this meeting, which the ACPR provided

to the Working Group on October 2, 2014. The Working Group provided the ACPR with the Preliminary Evaluation Report on October 10, 2014, and the ACPR provided a response to the initial findings and determination on October 29, 2014. This response was considered by the Working Group in the preparation of the Final Evaluation Report, which the Working Group approved on November 7, 2014.

III. Review of Evaluation Materials

Under the requirements of the Qualified Jurisdiction Process, the Working Group performed an initial evaluation of the ACPR's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology (Evaluation Materials). The Working Group began by undertaking a review of the most recent Detailed Assessment of Observance on Insurance Core Principles under the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP 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 also reviewed information the ACPR provided to the Delaware Department of Insurance relative to Section A through Section G of the Evaluation Methodology in order to update, complete or supplement publicly available information. The Working Group's review was focused on how the ACPR'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 framework and other factors set forth in the Evaluation Methodology.

The Working Group considered the following information with respect to the evaluation of the ACPR:

1. *International Monetary Fund (IMF), France: Financial Sector Assessment Program—Detailed Assessment of Observance of Insurance Core Principles, June 2013 (IMF Country Report No. 13/181).*
2. *International Monetary Fund (IMF), France: Financial System Stability Assessment, December 2012 (IMF Country Report No. 12/341).*
3. *Enforcement of Foreign Judgments 2013: France (Law Business Research Ltd, 2012).*
4. *Memorandum of Understanding between New York State Insurance Department and Autorite de Controle des Assurances et des Mutuelles dated September 2008.*
5. *Comment letters from interested parties received pursuant to notice (Confidential).*
6. *ACPR's answer to NAIC's questionnaire for approving qualified jurisdictions, October 18, 2013 (Confidential).*
7. *Delaware Department of Insurance Qualified Jurisdiction Review - France, November 26, 2013 (Confidential).*
8. *NAIC Staff Workpapers on Initial Review and Findings dated August 7, 2014 (Confidential).*
9. *ACPR's answers to NAIC's additional questions, October 2, 2014 (Confidential).*

10. *ACPR's response to Preliminary Evaluation Report, October 29, 2014 (Confidential)*.

IV. 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.

V. Summary of Findings and Recommendation

The Working Group finds that it has performed the required review of the Evaluation Materials, including review of the publicly available information, and that the ACPR provided the Working Group with information relative to Section A through Section G of the Evaluation Methodology to update and supplement the identified public information. The Working Group further finds that interested parties were given an opportunity to comment on the ACPR's application and that no objections to granting the ACPR Qualified Jurisdiction status were received from interested parties. Further, appropriate notice was provided to the FIO and the USTR. Based on the information provided by the ACPR and the review of the Evaluation Materials, the Working Group has determined that there is no indication that France fails to adequately and promptly enforce final U.S. judgments and arbitration awards.

The ACPR advised the Working Group that "[e]ven though not provided by law, it is general practice for important reinsurers to complete their solvency report with an internal actuarial report, which provides further detailed information on how TPs [technical provisions] are calculated, and includes the reinsurer's actuarial department's opinion on TPs." This information will be relayed by the Working Group to the Reinsurance Financial Analysis (E) Working Group for analysis of individual certified reinsurers.

Finally, the Working Group notes that the New York State Department of Financial Services has entered into a Memorandum of Understanding (MOU) with the ACPR, and has consented to act as the Lead State for purposes of regulatory cooperation and information sharing under the Qualified Jurisdiction Process. The ACPR advised the Working Group that the MOU with New York "would have to be redrafted, insofar as it does not explicitly provide [ACPR] with prior consent as a condition to the passing on of some information." The Working Group notes that both the ACPR and the California Department of Insurance are signatories to the IAIS Multilateral Memorandum of Understanding (MMoU), and that California has consented to act as the Lead State, on an interim basis, until the bilateral MOU with New York has been updated, at which time New York will begin acting as the Lead State. This Lead State designation for purposes of regulatory cooperation and information sharing

should not be confused with the Lead State designation by the Reinsurance Financial Analysis (E) Working Group for individual certified reinsurers for passporting purposes.

The Working Group has reached the conclusion that the ACPR's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is acceptable for purposes of reinsurance collateral reduction, that the ACPR's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that its laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models. Therefore, it is the recommendation of the Working Group that the NAIC recognize the ACPR as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015. This designation as a Qualified Jurisdiction shall be valid for five years (absent a material change in circumstances), after which the ACPR will be re-evaluated under the provisions of the Qualified Jurisdiction Process.



National Association *of* Insurance Commissioners

Summary of Findings and Determination

**Germany:
Federal Financial Supervisory Authority (BaFin)**

Issued for Public Comment By:

Qualified Jurisdiction (E) Working Group

November 12, 2014

I. Evaluation of the German Federal Financial Supervisory Authority

The Qualified Jurisdiction (E) Working Group of the National Association of Insurance Commissioners (NAIC) has completed this Summary of Findings and Determination with respect to Germany: Federal Financial Supervisory Authority (BaFin). It is the recommendation of the Working Group that the NAIC recognize BaFin as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015, after which BaFin will be re-evaluated every five years. Finally, the Working Group recommends that California be designated the Lead State for purposes of regulatory cooperation and information sharing with BaFin. These recommendations are based on the following analysis:

II. Procedural History

The NAIC adopted the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions* (Qualified Jurisdiction Process) on August 27, 2013 (which was further amended on August 19, 2014). The revised *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) (collectively, the “Credit for Reinsurance Models”) 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. The purpose of the Qualified Jurisdiction Process is to provide a documented evaluation process for creating and maintaining an NAIC list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. Toward this end, the Qualified Jurisdiction Process designates key elements believed to be basic building blocks for sound (re)insurance regulation. Each jurisdiction under consideration to be included on the *NAIC List of Qualified Jurisdictions* is requested to submit detailed information in support of these criteria. In addition, the NAIC review will also rely on publicly available reports evaluating the reinsurance regulatory practices of each jurisdiction.

The NAIC invited BaFin to participate in an expedited review under the Qualified Jurisdiction Process by letter dated August 29, 2013, and BaFin accepted this invitation in a letter dated October 15, 2013. BaFin subsequently consented for the NAIC to rely upon the information provided by a German domestic reinsurer in connection with its application for certified reinsurer status in California, with additional comments provided by BaFin. Notice of BaFin’s agreement to participate in the expedited review was sent to the FIO and the USTR on October 16, 2013. The NAIC issued public notice on its website of BaFin’s participation in the evaluation process, and requested interested parties to submit public comments with respect to BaFin by the close of business November 15, 2013. The Working Group received one comment letter by the close of the comment period, which was supportive of designating BaFin a Conditional Qualified Jurisdiction. The NAIC designated Germany as a Conditional Qualified Jurisdiction effective January 1, 2014, with the designation to continue for one year, unless: (1) an extension is granted by the Working Group; or (2) a determination is made that the jurisdiction is not a Qualified Jurisdiction.

The Working Group met in regulator-to-regulator session on September 8, 2014, to review initial findings prepared by NAIC staff to determine whether Germany should be approved as a Qualified

Jurisdiction for a 5-year period. The Working Group requested additional supplementary information from BaFin with respect to specific questions raised during this meeting, which BaFin provided to the Working Group on September 24, 2014. The Working Group provided BaFin with the Preliminary Evaluation Report on October 10, 2014, and BaFin provided a response to the initial findings and determination on November 5, 2014. This response was considered by the Working Group in the preparation of the Final Evaluation Report, which the Working Group approved on November 7, 2014.

III. Review of Evaluation Materials

Under the requirements of the Qualified Jurisdiction Process, the Working Group performed an initial evaluation of BaFin's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology (Evaluation Materials). The Working Group began by undertaking a review of the most recent Detailed Assessment of Observance on Insurance Core Principles under the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP 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 also invited BaFin to provide information relative to Section A through Section G of the Evaluation Methodology in order to update, complete or supplement publicly available information. The Working Group's review was focused on how Germany'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 framework and other factors set forth in the Evaluation Methodology.

The Working Group considered the following information with respect to evaluation of BaFin:

1. *International Monetary Fund (IMF) Germany: Financial Sector Assessment Program—Detailed Assessment of Observance on Insurance Core Principles (IMF Country Report No. 11/272, September 2011).*
2. *International Monetary Fund (IMF) Germany: Report on the Observance of Standards and Codes (ROSC) (IMF Country Report No. 11/170, July 2011).*
3. *Enforcement of Foreign Judgments 2014: Germany (3rd Ed., Law Business Research Ltd, 2013).*
4. *BaFin update dated December 5, 2013, regarding information provided in connection with an application for certified reinsurer status submitted to California (Confidential).*
5. *BaFin letter dated May 27, 2004, regarding Recognition and Enforcement of U.S. Civil Judgments in the Federal Republic of Germany.*
6. *Comment letters received from interested parties pursuant to notice (Confidential).*
7. *California Department of Insurance Memorandum dated December 13, 2013 (Confidential).*
8. *BaFin letter to Connecticut Insurance Department dated March 19, 2014 (Confidential).*
9. *NAIC Staff Workpapers on Initial Findings dated July 23, 2014 (Confidential).*
10. *BaFin's answers to NAIC's additional questions, September 24, 2014 (Confidential).*

11. *BaFin's response to Preliminary Evaluation Report, November 5, 2014 (Confidential).*

IV. 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.

V. Summary of Findings and Recommendation

The Working Group finds that it has performed the required review of the Evaluation Materials, including review of the publicly available information, and that BaFin (through its designee) provided the Working Group with information relative to Section A through Section G of the Evaluation Methodology to update and supplement the identified public information. The Working Group further finds that interested parties were given an opportunity to comment on BaFin's application and that no objections to granting Germany Qualified Jurisdiction status were received from interested parties. Further, appropriate notice was provided to the FIO and the USTR. Based on the information provided by BaFin and the review of the Evaluation Materials, the Working Group has determined that there is no indication that Germany fails to adequately and promptly enforce final U.S. judgments and arbitration awards. The Working Group during its evaluation did note that reinsurers are not required to conduct stress tests under the current regulatory scheme, although some reinsurers do intend to conduct stress testing in preparation for Solvency II. This information will be relayed by the Working Group to the Reinsurance Financial Analysis (E) Working Group for analysis of individual certified reinsurers.

Finally, the Working Group notes that both BaFin and the California Department of Insurance are signatories to the IAIS Multilateral Memorandum of Understanding (MMoU), and that California has consented to act as the Lead State for purposes of regulatory cooperation and information sharing under the Qualified Jurisdiction Process, and further that BaFin has consented to the designation of California as the Lead State. This Lead State designation for purposes of regulatory cooperation and information sharing should not be confused with the Lead State designation by the Reinsurance Financial Analysis (E) Working Group for individual certified reinsurers for passporting purposes.

The Working Group has reached the conclusion that BaFin's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is acceptable for purposes of reinsurance collateral reduction, that BaFin's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that its laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models.

Therefore, it is the recommendation of the Working Group that the NAIC recognize BaFin as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015. This designation as a Qualified Jurisdiction shall be valid for five years (absent a material change in circumstances), after which BaFin will be re-evaluated under the provisions of the Qualified Jurisdiction Process.



National Association *of* Insurance Commissioners

Summary of Findings and Determination

**Switzerland:
Financial Market Supervisory Authority (FINMA)**

Issued for Public Comment By:

Qualified Jurisdiction (E) Working Group

November 21, 2014

I. Evaluation of Switzerland: Financial Market Supervisory Authority

The Qualified Jurisdiction (E) Working Group of the National Association of Insurance Commissioners (NAIC) has completed this Summary of Findings and Determination with respect to Switzerland: Financial Market Supervisory Authority (FINMA). It is the recommendation of the Working Group that the NAIC recognize Switzerland as a Qualified Jurisdiction and place it on the NAIC List of Qualified Jurisdictions, to be effective as of January 1, 2015, after which Switzerland will be re-evaluated every five years. Finally, the Working Group recommends that Connecticut be designated the Lead State for purposes of regulatory cooperation and information sharing with FINMA. These recommendations are based on the following analysis:

II. Procedural History

The NAIC adopted the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions* (Qualified Jurisdiction Process) on August 27, 2013 (which was further amended on August 19, 2014). The revised *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) (collectively, the “Credit for Reinsurance Models”) 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. The purpose of the Qualified Jurisdiction Process is to provide a documented evaluation process for creating and maintaining an NAIC list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. Toward this end, the Qualified Jurisdiction Process designates key elements believed to be basic building blocks for sound (re)insurance regulation. Each jurisdiction under consideration to be included on the *NAIC List of Qualified Jurisdictions* is requested to submit detailed information in support of these criteria. In addition, the NAIC review will also rely on publicly available reports evaluating the reinsurance regulatory practices of each jurisdiction.

The NAIC invited FINMA, as the reinsurance supervisory authority in Switzerland, to participate in an expedited review under the Qualified Jurisdiction Process by letter dated August 29, 2013, and FINMA accepted this invitation in a letter dated October 11, 2013. FINMA subsequently consented for the NAIC to rely upon the information provided by a Swiss domestic reinsurer in connection with its application for certified reinsurer status in Connecticut, with additional comments provided by FINMA. Notice of FINMA’s agreement to participate in the expedited review was sent to the FIO and the USTR on October 14, 2013. The NAIC issued public notice on its website of FINMA’s participation in the evaluation process, and requested interested parties to submit public comments with respect to Switzerland by the close of business November 13, 2013. The Working Group received one comment letter by the close of the comment period, which was supportive of designating Switzerland as a Qualified Jurisdiction. The NAIC designated Switzerland as a Conditional Qualified Jurisdiction effective January 1, 2014, with the designation to continue for one year, unless: (1) an extension is granted by the Working Group; or (2) a determination is made that the jurisdiction is not a Qualified Jurisdiction.

The Working Group met in regulator-to-regulator session on September 10, 2014, to review initial findings prepared by NAIC staff to determine whether Switzerland should be approved as a Qualified Jurisdiction for a 5-year period. The Working Group requested additional supplementary information from FINMA with respect to specific questions raised during this meeting, which FINMA provided to the Working Group on October 31, 2014. FINMA also participated in discussions with NAIC staff on the questions identified. The Working Group provided FINMA with the Preliminary Evaluation Report on November 7, 2014, and FINMA provided a response to the initial findings and determination on November 18, 2014. This response was considered by the Working Group in the preparation of the Final Evaluation Report, which the Working Group approved on November 20, 2014.

III. Review of Evaluation Materials

Under the requirements of the Qualified Jurisdiction Process, the Working Group performed an initial evaluation of Switzerland's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology (Evaluation Materials). The Working Group began by undertaking a review of the most recent Detailed Assessment of Observance on Insurance Core Principles under the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP 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 also invited FINMA to provide information relative to Section A through Section G of the Evaluation Methodology in order to update, complete or supplement publicly available information. The Working Group's review was focused on how Switzerland'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 framework and other factors set forth in the Evaluation Methodology.

The Working Group considered the following information with respect to evaluation of Switzerland:

1. *EIOPA Advice to the European Commission: Equivalence assessment of the Swiss supervisory system in relation to Articles 172, 227 and 260 of the Solvency II Directive, October 2011.*
2. *Switzerland: Financial Sector Stability Assessment (IMF Country Report No. 14/143, May 2014).*
3. *Switzerland: Report on Observance of Standards and Codes (ROSC) (IMF Country Report No. 14/144, May 2014).*
4. *Switzerland: Financial Sector Assessment Program—Technical Note—An Assessment of Insurance Core Principles for the Reinsurance Industry (IMF Country Report No. 07/200, June 2007).*
5. *Evan M. Spangler, Swiss Supervisory Laws and Regulations for the Business of Insurance (2010) (copy at NAIC Central Office).*
6. *General descriptions of regulatory regime provided by FINMA, December 2, 2013.*
7. *Enforcement of Foreign Judgments 2013: Switzerland (Law Business Research Ltd, 2012).*

8. *Memorandum of Understanding between the Connecticut Insurance Department and FINMA, September 15, 2011.*
9. *Comment letter from interested party received pursuant to notice (Confidential).*
10. *Memorandum to Connecticut Insurance Department regarding Swiss Reinsurance Company Ltd. application for certified reinsurer status and reduced collateral dated March 8, 2013 (Confidential).*
11. *NAIC Staff Workpapers on Initial Findings dated August 5, 2014 (Confidential).*
12. *FINMA's answers to NAIC's additional questions, October 31, 2014 (Confidential).*
13. *FINMA's response to Preliminary Evaluation Report, November 18, 2014 (Confidential).*

IV. 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.

V. Summary of Findings and Recommendation

The Working Group finds that it has performed the required review of the Evaluation Materials, including review of the publicly available information, and that FINMA (through its designee) provided the Working Group with information relative to Section A through Section G of the Evaluation Methodology to update and supplement the identified public information. The Working Group further finds that interested parties were given an opportunity to comment on FINMA's application and that no objections to granting Switzerland Qualified Jurisdiction status were received from interested parties. Further, appropriate notice was provided to the FIO and the USTR. Based on the information provided by FINMA and the review of the Evaluation Materials, the Working Group has determined that there is no indication that Switzerland fails to adequately and promptly enforce final U.S. judgments and arbitration awards.

The Working Group notes that insurance companies conducting only reinsurance business are subject to the Swiss Solvency Test (SST) requirements, with the exception of captive reinsurers. However, FINMA advised the Working Group that reinsurance captives will be subject to SST requirements with the planned revision of Article 2 of the Insurance Supervision Ordinance (ISO), which is expected to enter into force and effect by July 2015. Additionally, FINMA further commented that it is already possible in the current version of the ISO to make reinsurance captives subject to the SST requirements

in the case of complex risk profiles or material financial risks, which is currently the case for the three largest reinsurance captives. This information will be relayed by the Working Group to the Reinsurance Financial Analysis (E) Working Group for analysis of individual certified reinsurers.

Finally, the Working Group notes that the Connecticut Insurance Department has entered into a Memorandum of Understanding (MOU) with FINMA, and has consented to act as the Lead State for purposes of regulatory cooperation and information sharing under the Qualified Jurisdiction Process, and further that FINMA has consented to the designation of Connecticut as the Lead State. This Lead State designation for purposes of regulatory cooperation and information sharing should not be confused with the Lead State designation by the Reinsurance Financial Analysis (E) Working Group for individual certified reinsurers for passporting purposes.

The Working Group has reached the conclusion that Switzerland's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is acceptable for purposes of reinsurance collateral reduction, that FINMA's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that Switzerland's laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models. Therefore, it is the recommendation of the Working Group that the NAIC recognize Switzerland as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015. This designation as a Qualified Jurisdiction shall be valid for five years (absent a material change in circumstances), after which Switzerland will be re-evaluated under the provisions of the Qualified Jurisdiction Process.



National Association *of* Insurance Commissioners

Summary of Findings and Determination

**United Kingdom (UK):
Prudential Regulation Authority of the
Bank of England (PRA)**

Issued for Public Comment By:

Qualified Jurisdiction (E) Working Group

November 12, 2014

I. Evaluation of Prudential Regulation Authority of the Bank of England

The Qualified Jurisdiction (E) Working Group of the National Association of Insurance Commissioners (NAIC) has completed this Summary of Findings and Determination with respect to the United Kingdom: Prudential Regulation Authority of the Bank of England (PRA). It is the recommendation of the Working Group that the NAIC recognize the PRA as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015, after which the PRA will be re-evaluated every five years. Further, the Working Group recommends that New York be designated the Lead State for purposes of regulatory cooperation and information sharing with the PRA. These recommendations are based on the following analysis:

II. Procedural History

The NAIC adopted the *Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions* (Qualified Jurisdiction Process) on August 27, 2013 (which was further amended on August 19, 2014). The revised *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) (collectively, the “Credit for Reinsurance Models”) 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. The purpose of the Qualified Jurisdiction Process is to provide a documented evaluation process for creating and maintaining an NAIC list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. Toward this end, the Qualified Jurisdiction Process designates key elements believed to be basic building blocks for sound (re)insurance regulation. Each jurisdiction under consideration to be included on the *NAIC List of Qualified Jurisdictions* is requested to submit detailed information in support of these criteria. In addition, the NAIC review will also rely on publicly available reports evaluating the reinsurance regulatory practices of each jurisdiction.

The NAIC invited the PRA to participate in an expedited review under the Qualified Jurisdiction Process by letter dated August 29, 2013, and the PRA accepted this invitation in a letter dated October 3, 2013. Notice of the PRA’s agreement to participate in the expedited review procedure was sent to the Federal Insurance Office (FIO) and the United States Trade Representative (USTR) on October 9, 2013. The NAIC issued public notice on its website of the PRA’s participation in the evaluation process, and requested interested parties to submit public comments with respect to the PRA by the close of business November 6, 2013. The Working Group received one comment letter by the close of the comment period, which was supportive of designating the PRA as a Qualified Jurisdiction.

The NAIC designated the United Kingdom as a Conditional Qualified Jurisdiction effective January 1, 2014, with the designation to continue for one year, unless: (1) an extension is granted by the Working Group; or (2) a determination is made that the jurisdiction is not a Qualified Jurisdiction. The Working Group met in regulator-to-regulator session on September 8, 2014, to review initial findings prepared by NAIC staff to determine whether the United Kingdom should be approved as a Qualified Jurisdiction for a 5-year period. The Working Group requested additional supplementary information from the PRA with respect to specific questions raised during this meeting, which the PRA provided to the Working

Group on October 13, 2014. The Working Group provided the PRA with the Preliminary Evaluation Report on October 21, 2014, and the PRA provided a response to the initial findings and determination on November 4, 2014. This response was considered by the Working Group in the preparation of the Final Evaluation Report, which the Working Group approved on November 7, 2014.

III. Review of Evaluation Materials

Under the requirements of the Qualified Jurisdiction Process, the Working Group performed an initial evaluation of the PRA's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology (Evaluation Materials). The Working Group began by undertaking a review of the most recent Detailed Assessment of Observance on Insurance Core Principles under the International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program (FSAP 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 also invited the PRA to provide information relative to Section A through Section G of the Evaluation Methodology in order to update, complete or supplement publicly available information. The Working Group's review was focused on how the United Kingdom'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 framework and other factors set forth in the Evaluation Methodology.

The Working Group considered the following information with respect to evaluation of the PRA:

1. *Financial Stability Board Peer Review of the UK: Response to Questionnaire (April 2013) (Confidential).*
2. *Financial Stability Board (FSB) Peer Review of the United Kingdom Review Report (September 10, 2013).*
3. *United Kingdom: Insurance Core Principles Detailed Assessment of Observance (IMF Country Report No. 11/234, July 2011) (includes ROSC).*
4. *The Prudential Regulation Authority's Approach to Insurance Supervision (June 2014).*
5. *The Prudential Regulation Authority's (PRA's) approach to schemes of arrangement proposed by PRA-authorized insurers under Part 26 of the Companies Act 2006, April 2014 (Supervisory Statement | SS3/14).*
6. *Transposition of Solvency II: Part 3 (PRA, August 2014).*
7. *PRA response in relation to the Expedited Review under the Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions dated October 17, 2013. (Confidential).*
8. *EU-US Comparison of Branch Requirements (Prepared in connection with the EU/US Dialogue Project) (Confidential).*
9. *Enforcement of Foreign Judgments 2014: United Kingdom (Law Business Research Ltd, 2013).*

10. *Memorandum of Understanding between New York State Department of Financial Services and Bank of England Prudential Regulation Authority.*
11. *Comment letters from interested parties received pursuant to notice (Confidential).*
12. *NAIC Staff Workpapers on Initial Findings dated July 22, 2014 (Confidential).*
13. *NAIC Staff memorandum on Actuarial Filing for Certified Reinsurer Application dated July 16, 2014 (Confidential).*
14. *PRA's answers to NAIC's additional questions, October 13, 2014 (Confidential).*
15. *PRA's response to Preliminary Evaluation Report, November 4, 2014 (Confidential).*

IV. 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.

V. Summary of Findings and Recommendation

The Working Group finds that it has performed the required review of the Evaluation Materials, including review of the publicly available information, and that the PRA provided the Working Group with information relative to Section A through Section G of the Evaluation Methodology to update and supplement the identified public information. The Working Group further finds that interested parties were given an opportunity to comment on the PRA's application and that no objections to granting the United Kingdom Qualified Jurisdiction status were received from interested parties. Further, appropriate notice was provided to the FIO and the USTR. Based on the information provided by the PRA and the review of the Evaluation Materials, the Working Group has determined that there is no indication that the United Kingdom fails to adequately and promptly enforce final U.S. judgments and arbitration awards.

The Working Group during its evaluation did note following items of interest:

- In the case of *Rubin v. Eurofinance—SA*, the UK Supreme Court ruled that English courts will not enforce a foreign insolvency judgment where the English creditor was neither present in nor had submitted to the foreign court, raising questions regarding the enforceability of final U.S. judgments in English courts. However, the Form CR-1 *Certificate of Certified Reinsurer* specifically provides that a certified reinsurer submits to the jurisdiction of any court of

competent jurisdiction in the ceding company's state of domicile, thereby eliminating the principle reason the *Rubin* court refused to recognize the foreign court judgment.

- The PRA's *Consultation Paper on Transposition of Solvency II: Part 3* (August 2014) provides a discussion of third country insurance branches, and indicates that these branches may need to increase capital allocated to these branches. The PRA advised the Working Group that it intends to issue guidance to the effect that where the PRA assesses the home country prudential regime to be broadly equivalent to the UK regime then compliance with the home regime may be relied upon as tending to establish compliance with the PRA's "world-wide financial resources" rule. The PRA further advised the Working Group that it does not expect these proposals to be of any real consequence for branches until the question of what qualifies as "available assets" and "branch liabilities" is clarified by EIOPA guidelines.
- The PRA reviews all proposed solvent schemes of arrangement with consideration given to the impact on policyholders. However, UK courts have the ultimate authority to sanction a scheme of arrangement and will allow a scheme of arrangement with the agreement of 75% of creditors. The PRA recently issued Supervisory Statement SS3/14 which "explains some of the factors which the PRA will take into account when judging whether, in promoting a scheme, an insurer is acting in a manner consistent with the PRA's statutory objectives. Specifically, the PRA seeks to ensure that insurers are able (with a high degree of likelihood) to meet claims from policyholders as they fall due and that where firms wish to exit the market they do so in a way which takes proper account of the need to provide an acceptable degree of continuity of cover for policyholders." The Working Group will continue to monitor the use of schemes of arrangements, and if a solvent scheme of arrangement is ever used to involuntarily commute the obligations of a U.S. ceding company, the Working Group will initiate a review of the PRA's designation as a Qualified Jurisdiction.

Finally, the Working Group notes that the New York State Department of Financial Services has entered into a Memorandum of Understanding (MOU) with the PRA, and has consented to act as the Lead State for purposes of regulatory cooperation and information sharing under the Qualified Jurisdiction Process. This Lead State designation for purposes of regulatory cooperation and information sharing should not be confused with the Lead State designation by the Reinsurance Financial Analysis (E) Working Group for individual certified reinsurers for passporting purposes.

The PRA advised the Working Group that disclosure of confidential information to the Lead State would be governed by the provisions in the bilateral MOU, which requires that the Authority requesting confidential information may only pass such information on where, inter alia, it has prior consent from the Responding Authority, has given the Responding Authority the identities of proposed recipients, and confirms that each recipient has equivalent professional secrecy requirements. Further, the PRA advised the Working Group that it would only consent to the onward transmission of confidential information to those other U.S. state supervisors with which it has an existing bilateral MOU or who are current signatories of the IAIS MMOU. The requirement that a state must have an existing bilateral MOU or be

a current signatory to the IAIS MMOU is an additional requirement to the current Lead State process and may adversely affect the availability of the passporting process for UK-based certified reinsurers.

The Working Group has reached the conclusion that the PRA's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is acceptable for purposes of reinsurance collateral reduction, that the PRA's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that its laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models. Therefore, it is the recommendation of the Working Group that the NAIC recognize the PRA as a Qualified Jurisdiction and place it on the *NAIC List of Qualified Jurisdictions*, to be effective as of January 1, 2015. This designation as a Qualified Jurisdiction shall be valid for five years (absent a material change in circumstances), after which the PRA will be re-evaluated under the provisions of the Qualified Jurisdiction Process.



To: Director John M. Huff (MO)
Chair, Reinsurance (E) Task Force

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

Date: December 4, 2014

Re: Uniform Application Checklist for Certified Reinsurers

The Reinsurance Financial Analysis (E) Working Group met in regulator-to-regulator session on December 3, 2014, to discuss and revise the proposed Uniform Application Checklist for Certified Reinsurers (Checklist) based on comments the Reinsurance (E) Task Force received from regulators and interested parties with respect to the Nov. 6 draft. Attached is a revised and redlined draft Checklist, which makes the following proposed changes:

- **Section III. Disputed and/or Overdue Reinsurance Claims / Business Practices** – the disclosure and reporting requirement was enhanced to focus on the key reinsurance contracts with overdue balances due to the top-15 U.S. cedents. In addition, the first sentence was changed from “The Commissioner must...” to “The Commissioner may...” in order to reflect that disputed and overdue reinsurance claims are one factor that the state will consider in its review of certified reinsurers, and the fact that a reinsurer has disputed or overdue claims will not automatically preclude it from being a certified reinsurer.
- **General Edits**
 - **Mechanisms Used to Secure Obligations Incurred as a Certified Reinsurer.** An “s” was added to the four references to “mechanism” to recognize that there are multiple forms of collateral allowed within the Credit for Reinsurance Models.
 - **Form CR-1.** Within the requirement for Form CR-1, a parenthetical “(For Initial and Renewal Applications)” was added to reflect the fact that Form CR-1 is to be filed with both initial and renewal applications.
 - The header **Deposit/Fees** was changed to simply “**Fee**”, because a deposit is not applicable.
 - **Section II. Other Requirements** was revised to add the term “Reasonable” to ensure consistency with reporting requirements between currently certified reinsurers and applicants.

Uniform Application Checklist and Passporting

It is the intent that states uniformly use this Checklist in an effort to ensure that a reinsurer’s application for certification is complete, based on the requirements of the Credit for Reinsurance Models. The Checklist is also intended to provide clarity and consistency with respect to the “passporting” process for those reinsurers that have already been certified in an NAIC-accredited state and whose certification has been satisfactorily peer-reviewed by the Working Group. “Passporting” refers to the process under which a state has the discretion to defer to the certification of a reinsurer (and the rating assigned to that certified reinsurer) by another state. Under this process, a reinsurer will apply to an initial state for certification, referred to as the “Lead State,” which will begin its analysis of the reinsurer and notify the Working Group of the application. The Lead State will complete its initial analysis, and will submit filing information and other documentation to the Working Group for a peer review. Upon completion of the confidential peer review process, the Working Group will make its recommendation

concerning both the certified status of the reinsurer and its rating. The Lead State then makes the final determination regarding certification, upon which the Lead State notifies Working Group and the certified reinsurer is eligible to apply for passporting into other states.

Uniform Application Checklist for Certified Reinsurers
(Initial and Renewal Applications)

I. Applicant Information

Company Name: Address: Primary Contact: Domiciliary Jurisdiction / Supervisory Authority: Applicable Lines of Business:

II. Filing Requirements for Reinsurer Currently Certified by Another NAIC-Accredited Jurisdiction

If an applicant for certification has been certified as a reinsurer in an NAIC accredited jurisdiction, the [Commissioner] has the discretion to defer to that jurisdiction's certification, and has the discretion to defer to the rating assigned by that jurisdiction; i.e., "passporting."

- a. Has the applicant been certified by an NAIC accredited jurisdiction? (Yes or No) _____;
 [If "Yes", this state will confirm that the initial or renewal certification has been reviewed by the NAIC Reinsurance Financial Analysis (E) Working Group for passporting purposes.]
- b. If the answer to question II.a. is "No", please proceed to Section III of this application.
- c. If the answer to question II.a. is "Yes", the applicant shall provide the information required under Section II for consideration by the Commissioner:

Citation to State Law / Regulation	<u>Requirements</u>	Y or N	<u>Reference and Supporting Documents</u>
	Status of Domiciliary Jurisdiction: The applicant must be domiciled and licensed in a Qualified Jurisdiction, as determined by this state.		
	Verification of Certification Issued by an NAIC Accredited Jurisdiction: If the applicant is requesting that the Commissioner recognize the certification issued by another NAIC accredited jurisdiction (i.e., passporting), the applicant must provide a copy of the approval letter or other documentation provided to the applicant by such NAIC accredited jurisdiction. At a minimum, this letter must confirm the following information: <ol style="list-style-type: none"> a. Name of state(s) in which applicant is currently certified. b. The rating and collateral percentage 		

Draft 12/03/14 Uniform Application Checklist for Certified Reinsurers

Citation to State Law / Regulation	<u>Requirements</u>	Y or N	<u>Reference and Supporting Documents</u>
	<p>assigned with respect to the applicant.</p> <p>c. The effective and expiration dates with respect to the certification.</p> <p>d. The lines of business to which the certification is applicable.</p> <p>e. The applicant’s commitment to comply with all requirements necessary to maintain certification.</p>		
	<p><u>Mechanisms Used to Secure Obligations Incurred as a Certified Reinsurer:</u> The applicant must specify the mechanisms it will use to secure obligations incurred as a Certified Reinsurer. If the applicant intends to utilize a multibeneficiary trust for this purpose, the applicant must submit (1) the form of the trust that will be used to secure obligations incurred as a certified reinsurer; and (2) the form of the trust that will be used to secure obligations incurred outside of the applicant’s certified reinsurer status, i.e., the applicant’s 100% collateralized trust (if applicable). The form of each trust is required to be submitted pursuant to state law in order to ensure that security for these obligations will be kept separate and to ensure that each trust meets the requirements of the state’s Credit for Reinsurance statute and/or regulation.</p>		
	<p><u>Form CR-1 (For Initial and Renewal Applications):</u> The applicant must provide [insert name of state] Form CR-1, which must be properly executed by an officer authorized to bind the applicant to the commitments set forth in the form. [Insert link to copy of form on state web site.]</p>		
	<p><u>Deposit/Fees:</u> [Insert \$ amount of the fees applicable in this state.]</p>		
	<p><u>Other Requirements:</u> The applicant must:</p> <p>a. Commit to comply with other</p>		

Draft 12/03/14 Uniform Application Checklist for Certified Reinsurers

Citation to State Law / Regulation	<u>Requirements</u>	Y or N	Reference and Supporting Documents
	reasonable requirements deemed necessary for certification by the certifying state. Failure to comply with such other requirement could disqualify the reinsurer from certification. b. Provide a statement that the applicant agrees to post 100% security upon the entry of an order of rehabilitation or conservation against the ceding insurer or its estate.		
	Public Notice Requirement: The [Commissioner] is required to post notice on the insurance department’s website promptly upon receipt of any application for certification, including instructions on how members of the public may respond to the application. The [Commissioner] may not take final action on the application until at least [insert number of days required in the specific state] days after posting such notice. The [Commissioner] will consider any comments received during the public notice period with respect to this application.		

III. Filing Requirements for Full Application

- a. The applicant shall provide the information required under Section III if:
 - i. the applicant has not been certified by an NAIC accredited jurisdiction
 - ii. the Commissioner makes a determination not to recognize or defer to the certification issued by another NAIC accredited jurisdiction; or
 - iii. the applicant is renewing its certification by an NAIC accredited jurisdiction.
- b. Check appropriate box:
 - Initial Application
 - Renewal Application

Citation to State Law / Regulation	<u>Requirements</u>	Y or N	Reference and Supporting Documents
	Status of Domiciliary Jurisdiction / Proof of Licensure and Good Standing: The applicant must be domiciled and licensed in a Qualified Jurisdiction, as determined by this state. The applicant		

Draft 12/03/14 Uniform Application Checklist for Certified Reinsurers

Citation to State Law / Regulation	Requirements	Y or N	Reference and Supporting Documents
	<p>must be in good standing (or the jurisdiction’s equivalent classification) and maintain capital and surplus in excess of its domiciliary jurisdiction’s highest regulatory action level.</p> <p>The Commissioner will consider the following information with respect to the applicant’s domiciliary jurisdiction:</p> <ul style="list-style-type: none"> a. Whether the domestic supervisory authority been approved as a Qualified Jurisdiction in this state. b. Confirmation as to whether the domestic supervisory authority is included on the NAIC List of Qualified Jurisdictions. <p>The applicant must provide the following information:</p> <ul style="list-style-type: none"> a. A copy of the certificate of authority or license to transact insurance and/or reinsurance from the applicant’s domiciliary jurisdiction. b. A certification from the applicant’s domestic supervisory authority affirming that the applicant is in good standing (or the jurisdiction’s equivalent classification) and maintains capital and surplus in excess of the jurisdiction’s highest regulatory action level. 		
	<p>Mechanisms Used to Secure Obligations Incurred as a Certified Reinsurer: The applicant must specify the mechanisms it will use to secure obligations incurred as a Certified Reinsurer. If the applicant intends to utilize a multibeneficiary trust for this purpose, the applicant must submit (1) the form of the trust that will be used to secure obligations incurred as a certified reinsurer; and (2) the form of the trust that will be used to secure obligations incurred outside of the applicant’s certified reinsurer status, i.e., the applicant’s 100% collateralized trust (if applicable). The form of each trust is required to be submitted pursuant to state law in order to</p>		

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Citation to State Law / Regulation	<u>Requirements</u>	Y or N	<u>Reference and Supporting Documents</u>
	ensure that security for these obligations will be kept separate and to ensure that each trust meets the requirements of the state’s Credit for Reinsurance statute and/or regulation.		
	<p>Financial Strength Ratings: The applicant must maintain interactive financial strength ratings from two or more acceptable rating agencies. The applicant must provide the following:</p> <ul style="list-style-type: none"> a. Confirm all interactive financial strength ratings currently maintained by the applicant. b. Copies of full rating agency reports with respect to all financial strength ratings currently maintained by the applicant, if available. If a full report is not available, the applicant must provide a letter from the applicable rating agency confirming its current financial strength rating. c. A description of any changes within the last three years in the financial strength rating from an approved rating agency. <p>NOTE: Acceptable rating agencies include A.M. Best, Fitch Ratings, Moody’s Investor Service, Standard & Poor’s, or any other Nationally Recognized Statistical Rating Organization.</p>		
	<p>Disputed and/or Overdue Reinsurance Claims / Business Practices: The Commissioner must <u>may</u> consider the applicant’s business practices in dealing with its ceding insurers, including compliance with contractual terms and obligations. The applicant must provide the following if 1) <u>at the individual cedent level, the reinsurer has 10% or more of its reinsurance obligation payable in dispute and/or more than 90 days past due to any of its top 15 individual US cedents, based on amount of reinsurance obligations assumed</u>at the individual cedent level, the reinsurer has 10% of its net reinsurance recoverables to any individual US cedent,</p>		

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	<p>or 2) at the aggregate level <u>with respect to U.S. cedents</u>, the reinsurer has claims that are in dispute and/or more than 90 days past due that are 1% or more of its total net reinsurance <u>obligations payable recoverables</u> to all US cedents:</p> <p>a. A list and description of all reinsurance claims that are in dispute and/or more than 90 days past due regarding reinsurance assumed from U.S. domestic ceding insurers.</p> <p>b. A description of the applicant's business practices in dealing with U.S. ceding insurers, including its record of compliance with reinsurance contractual terms, and a statement that the applicant commits to comply with all contractual requirements applicable to reinsurance contracts with U.S. ceding insurers.</p>		
	<p>Schedules for Reinsurance Assumed and Reinsurance Ceded: The applicant must provide the following:</p> <p>a. For applicants domiciled in the U.S., provide the most recent NAIC Annual Statement Blank Schedule F (property/casualty) and/or Schedule S (life and health).</p> <p>b. For applicants domiciled outside the U.S. provide Form CR-F (property/casualty) and/or Form CR-S (life and health), completed in accordance with the instructions adopted by the NAIC [include link to instructions.]</p>		
	<p>Regulatory Actions: The applicant must provide a description of any regulatory actions taken against the applicant.</p> <p>a. Include all regulatory actions, fines and penalties, regardless of the amount.</p> <p>b. Provide a description of any changes in with respect to the provisions of the applicant's domiciliary license.</p>		

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	[NOTE: Reinsurance-FAWG requires this information for the last three years for passporting purposes.]		
	<p>Financial/Regulatory Filings: The applicant must provide the following:</p> <ol style="list-style-type: none"> a. A copy of the most recent report of the independent auditor. b. Copies of the audited financial statements for the last three years. Financial statements must demonstrate that the applicant has minimum capital and surplus, or the equivalent, of at least \$250,000,000. If the applicant is an association including incorporated and individual unincorporated underwriters, statements must demonstrate that the applicant has capital and surplus equivalents (net of liabilities) of at least \$250,000,000, and a central fund containing a balance of at least \$250,000,000. Please note the following requirements with respect to these financial statements: <ul style="list-style-type: none"> • Audited U.S. GAAP basis statements must be submitted if available. • Audited IFRS basis statements are acceptable but must include an audited footnote reconciling equity and net income to a U.S. GAAP basis. • With the permission of the Commissioner, an applicant may be allowed to submit audited IFRS basis statements with reconciliation to U.S. GAAP certified by an officer of the applicant. • Upon the initial certification, the Commissioner may consider audited financial statements for the last three years as filed with the applicant’s non-U.S. jurisdiction supervisor. If the Commissioner accepts such statements in the initial filing, the applicant must 		

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Citation to State Law / Regulation	<u>Requirements</u>	Y or N	<u>Reference and Supporting Documents</u>
	<p>acknowledge and commit that future financial statement filings will include the appropriate reconciliation to a U.S. GAAP basis, as indicated above.</p> <p>c. A copy of the Actuarial Opinion and other regulatory filings, as filed with the applicant's domiciliary supervisor. [NOTE: Reinsurance-FAWG requires a stand-alone Actuarial Opinion for passporting purposes.]</p>		
	<p>Solvent Schemes of Arrangement: The applicant must provide:</p> <p>a. A description of any past, present or proposed future participation in any solvent scheme of arrangement, or similar procedure, involving U.S. ceding insurers.</p> <p>b. A statement that the applicant commits to notify the commissioner of any future proposed participation in any solvent scheme of arrangement, or similar procedure, as soon as practicable.</p>		
	<p>Form CR-1 (For Initial and Renewal Applications): The applicant must provide [insert name of state] Form CR-1, which must be properly executed by an officer authorized to bind the applicant to the commitments set forth in the form. [Insert link to copy of form on state web site.]</p>		
	<p>Deposit Fees: [Insert \$ amount of <u>the fees</u> applicable in this state.]</p>		
	<p>Other Requirements: The applicant must:</p> <p>a. Commit to comply with other <u>reasonable</u> requirements deemed necessary for certification by the certifying state.</p> <p>b. Provide a statement that the applicant agrees to post 100% security upon the</p>		

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Citation to State Law / Regulation	<u>Requirements</u>	Y or N	<u>Reference and Supporting Documents</u>
	entry of an order of rehabilitation or conservation against the ceding insurer or its estate.		
	<p>Public Notice Requirement: The [Commissioner] is required to post notice on the insurance department’s website promptly upon receipt of any application for certification, including instructions on how members of the public may respond to the application. The [Commissioner] may not take final action on the application until at least [insert number of days required in the specific state] days after posting such notice. The [Commissioner] will consider any comments received during the public notice period with respect to this application.</p>		