

October 28, 2011

VIA EMAIL

NAIC Joint Executive/Plenary Committee

RE: Support for Adoption of Amendments to the NAIC Credit for Reinsurance Model Law (#785) and Regulation (#786) (collectively, the “Drafts”) at the November 6 Joint Executive/Plenary Meeting

Dear NAIC Member:

This letter is sent on behalf of the Association of Bermuda Insurers and Reinsurers (ABIR), European Insurance and Reinsurance Federation (CEA), German Insurance Association (GDV), International Underwriting Association of London (IUA), the Reinsurance Association of America (RAA), and ACE Group (“Reinsurers”) in support of immediate adoption of the Drafts.

The collateral issue has been discussed generally at the NAIC for a decade and in great detail over the past three (3) years. We commend the states for their perseverance on this issue and for making these first steps towards a regulatory system that will enhance credit for reinsurance regulation in the United States and which will help establish more effective cooperation and coordination among the states and with other strong regulatory jurisdictions. We urge the NAIC members to approve the Drafts at the November 6 national meeting and to promptly begin the process of implementation in the states. The revised Model Credit for Reinsurance Law and Regulation have been thoroughly vetted and carefully considered by the Reinsurance Task Force and Financial Condition Committee. The extensive work of so many state insurance regulators to this point should be recognized by prompt adoption of the Drafts so that the necessary ongoing discussions can benefit from the states’ experiences in working in the new regime.

The Drafts as presented for consideration by the NAIC Executive Committee and Plenary represent a considerable compromise on issues that have been debated in many cases for nearly a decade. It is critical that those compromises not be disturbed. All parties to the debate have moved significantly on long held positions in the hope of putting into practice regulatory changes that will begin to move U.S. reinsurance regulation uniformly forward in a manner consistent with the evolution of international regulation. The modernization of state-based reinsurance

regulation is an important step in making the United States an efficient and attractive place to do business. Additionally, the international regulatory community has been clear that the U.S. needs to address the imposition of regulatory collateral in advance of Solvency II equivalence discussions. Further, delays or changes to the Drafts at this point could invite increased intervention from Treasury, USTR and Congress.

The nature of compromise being what it is, we also encourage the NAIC to keep the dialogue going at the Reinsurance Task Force regarding this issue. There is immediate work that needs to be done in further development of the related reporting requirements and forms, e.g., Schedule F and S and the application of the new collateral regime to ceding insurers' in-force and new life reinsurance. We also urge the NAIC to consider the global convergence of accounting standards and develop standards that would permit companies to submit financial reports filed in Qualified Jurisdictions without reconciling to U.S. GAAP. We understand that there is a firm commitment to review the Models after two (2) years, thereby providing an opportunity to determine whether additional modernization is warranted. We look forward to working with the NAIC as it continues its work on these important issues.

Sincerely,

The Association of Bermuda Insurers and Reinsurers (ABIR)
The European Insurance and Reinsurance Federation (CEA)
The German Insurance Association (GDV)
The International Underwriting Association of London (IUA)
The Reinsurance Association of America (RAA)
ACE Group