



Swiss Re



ZURICH®

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Re: NAIC response to Covered Agreement collateral provisions

Dear Mr. Stultz

Thank you for the opportunity to address the NAIC's plans for proceeding with collateral reform arising from the Bilateral Agreement Between the United States (US) and the European Union (EU) on Prudential Measures Regarding Insurance and Reinsurance (Covered Agreement). These comments are submitted on behalf of Swiss Re and Zurich as a first response to the NAIC's request for comments. As the Reinsurance Task Force process continues, we look forward to providing additional comments on specific proposals.

The Covered Agreement delegates to the states and the NAIC the important implementation issues and we appreciate the NAIC's leadership and this Task Force's leadership in taking on that challenge. It is clear that implementation of the Covered Agreement will require the NAIC to review its process for determining Qualified Jurisdictions and certified reinsurers as well as eliminate collateral requirements for certified reinsurers from the EU. From the standpoint of Swiss Re and Zurich as Swiss re/insurers, we believe it is important for the NAIC to apply the same collateral benefits to certified reinsurers from other qualified jurisdictions, such as Switzerland.

As a general principle, we believe that re/insurers from any highly regarded regulatory jurisdiction should be allowed to assume risk freely on a cross-border basis. Such a principle also seems to be supported by the NAIC, given the general recognition that implementation of the Covered Agreement should not create an uneven playing field across EU and non-EU jurisdictions. If implementation proceeds successfully, the NAIC has the opportunity to set a great precedent globally.

There are many viable options available to the NAIC in this endeavour, including adding an entirely new classification of reinsurer able to assume business without regulatory collateral, amending the current certified reinsurer provisions to make the terms and conditions of the Covered Agreement applicable to all certified reinsurers, as well as options in between. Each option will have pros and

cons. Since the Covered Agreement provisions on reinsurance collateral were derived from the NAIC credit for reinsurance models and enforcement will be in the hands of state regulators, we would not see it as extraordinary to apply the Covered Agreement provisions to reinsurers outside of the EU.

Whatever the direction, we hope the NAIC will act in sufficient time to allow states to enact the necessary changes to state law in a timely manner. We look forward to the public discussion of these issues on February 20th and stand ready to assist in the policy decisions and drafting as the RTF work proceeds.

Yours sincerely,



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