Executive Summary

The Reinsurance-FAWG was established to provide advisory support and assistance to states in the review of reinsurance collateral reduction applications, in accordance with the *Preface to Credit for Reinsurance Models*. This process is intended to strengthen state regulation and prevent regulatory arbitrage. During 2012, a drafting group of this Task Force developed a manual to document the procedures applicable to this new working group. The Reinsurance (E) Task Force approved the Reinsurance-FAWG Procedures Manual on February 27, 2013, and the working group was officially established upon adoption of its 2013 charges by the NAIC Executive (EX) Committee and Plenary on March 1. As provided under the *NAIC Policy Statement on Open Meetings*, public discussions concerning specific companies, entities or individuals are not considered to be appropriate, and all matters relating to the Reinsurance-FAWG will be considered confidential and conducted in regulator-to-regulator sessions only. The purpose of this memorandum is to provide information regarding Reinsurance-FAWG that will be beneficial to state insurance regulators and industry.

Reinsurance-FAWG Membership

The membership guidelines within the Reinsurance-FAWG Procedures Manual provide that the working group will be limited to a maximum of 12 member states with approximate equal participation from the four NAIC zones. An additional note was included within the manual to indicate that Reinsurance-FAWG should also attempt to maintain a balance in membership between states that have implemented reduced collateral provisions and states that have not implemented such provisions. Following is the initial Reinsurance-FAWG membership, which has been approved by Commissioner Michael F. Consedine, Chair of the Reinsurance Task Force, and Superintendent Joseph Torti III, Chair of the Financial Condition (E) Committee:

**Northeast Zone**: Steve Johnson, Chair (PA); Linda Sizemore (DE); Jim Davis (NY)

**Southeast Zone**: Richard Ford (AL); David Altmaier (FL); Doug Stolte (VA)

**Midwest Zone**: Cindy Donovan (IN); Fred Heese (MO); Peter Medley (WI)

**Western Zone**: Kurt Regner (AZ); John Finston (CA); Danny Saenz (TX)

Mission and Charges

The Reinsurance Financial Analysis Working Group (Reinsurance-FAWG) operates in Executive Session, in accordance with the NAIC Policy Statement on Open Meetings. The authority of the Working Group is limited to that of an advisory body. This authority is derived from the *Preface to Credit for Reinsurance Models*, which provides that the purpose of the Working Group is “to provide advisory support and assistance to states in the review of reinsurance collateral reduction applications. Such a process with respect to the review of applications for reinsurance collateral reduction and qualified jurisdictions should strengthen state regulation and prevent regulatory arbitrage.”

The authority to issue individual ratings of certified reinsurers is reserved to the NAIC member jurisdictions under their respective statutes and regulations. While this forum is intended to strengthen state regulation and prevent regulatory arbitrage, it is not within the authority of the Working Group to assign ratings or collateral requirements for individual reinsurers. Issues upon which the Working Group may provide advisory support and assistance include but are not limited to:
• Provide a forum for discussion among NAIC jurisdictions of reinsurance issues related to specific companies, entities or individuals.

• Support, encourage, promote and coordinate multi-state efforts in addressing issues related to certified reinsurers, including but not limited to multi-state recognition of certified reinsurers.

• Provide analytical expertise and support to the states with respect to certified reinsurers and applicants for certification.

• Interact with domiciliary regulators of ceding insurers and certifying states to assist and advise on the most appropriate regulatory strategies, methods and actions with respect to certified reinsurers.

• Provide advisory support with respect to issues related to the determination of qualified jurisdictions.

• Provide guidance and expertise on regulatory policy and practices with respect to certified reinsurers.

Summary of Reinsurance-FAWG Procedures

• Assuming insurers seeking status as a certified reinsurer are encouraged to submit initial applications to a single state, in an effort to facilitate multi-state recognition of a certification through the Reinsurance-FAWG process. As a general procedure, this state would be considered the lead state for the purpose of initiating the Reinsurance-FAWG review process.

• In the event that an assuming insurer submits applications for certification to multiple states simultaneously, as a general procedure the first state to receive application and submit notice to the NAIC would be considered the lead state for the purpose of beginning the evaluation process and presenting a report on the application to the Reinsurance-FAWG.

• It should be noted that the process for engaging the Reinsurance-FAWG in the consideration of an application for certification is intended to be flexible. Specific circumstances may necessitate discussion between the Reinsurance-FAWG and any states that have received application for certification in order to determine an appropriate lead state on a case-by-case basis.

• Upon receipt of the application, the commissioner would submit notice of the application to the Reinsurance-FAWG, along with information provided by the applicant. This state will present a report on the application to the Reinsurance-FAWG at its next meeting. As part of its review process, the state may request the assistance of NAIC staff in completing its evaluation.

• Members of the Reinsurance-FAWG will review the report and have an opportunity to provide input or submit inquiries with respect to the state’s final certification of the applicant. After considering input from Reinsurance-FAWG, the commissioner will issue written notice to the applicant upon determination that it has been approved as a certified reinsurer.

• The Reinsurance-FAWG will give priority to the review of those reinsurers that have been previously approved by states prior to the adoption of these procedures.

• It is intended that Reinsurance-FAWG will facilitate communication among NAIC member jurisdictions with respect to information that potentially impacts a certified reinsurer’s rating/status.

• It is not within the authority of the Reinsurance-FAWG to assign ratings or collateral requirements for individual reinsurers. The authority to issue individual ratings of certified reinsurers is reserved to the NAIC member jurisdictions under their respective statutes and regulations. The Reinsurance-FAWG process is designed to facilitate communication of relevant information with respect to individual reinsurers or reinsurance-related issues by allowing interested state insurance regulators the opportunity to monitor the Reinsurance-FAWG meetings and discussion.

• The NAIC will include information with respect to reinsurers that have been certified by individual states within the NAIC Listing of Companies. This is intended for informational purposes only, in order to facilitate accurate reporting of reinsurance transactions within the statutory financial statements. Publication of this information should not be interpreted as providing any indication with respect to the outcome of Reinsurance-FAWG’s review and discussion with respect to any particular certified reinsurer.

• Reinsurance-FAWG will consider evaluation/rating criteria included in the credit for reinsurance models, and will work to facilitate consistency among the states in responses and actions with respect to issues impacting a certified reinsurer rating or reinsurance credit taken by a U.S. ceding insurer.
• Reinsurance-FAWG will also serve as a forum for consideration of other issues related to reinsurance that might not be specific to reinsurance collateral or certified reinsurers.

Ongoing Monitoring Process

• Certified reinsurers are required to file specific information to a certifying state on an ongoing basis. NAIC staff and the Reinsurance-FAWG will review this information in an effort to assist states with the ongoing monitoring of certified reinsurers. All information submitted by certified reinsurers which are not otherwise public information subject to disclosure shall be exempted from disclosure under state law (equivalent to the Freedom of Information Act) and shall be withheld from public disclosure.

• The certified reinsurer will file this information with the initial certifying state, which will submit the information to the Reinsurance-FAWG in accordance with an information sharing process outlined within the procedures manual.

• NAIC staff will assist in the review of information filings and in monitoring the ongoing condition of certified reinsurers. If during the annual review process, or in an interim period, the Reinsurance-FAWG determines that a certified reinsurer’s assigned rating or certification status may warrant reconsideration, notice will be sent to the initial certifying state, with a copy to the Chief Financial Regulators. The specific issues identified will be presented for discussion during the next Reinsurance-FAWG meeting.

Confidential Information/NAIC Staff Involvement

• The Reinsurance-FAWG meetings, correspondence and the matters discussed therein are held in executive session and are intended to be confidential. Information concerning Reinsurance-FAWG meetings, correspondence and the matters discussed therein should not be discussed outside of the Reinsurance-FAWG.

• Certain information and documents related to specific companies are confidential by operation of state statute and will be shared with Reinsurance-FAWG members pursuant to the Master Information Sharing and Confidentiality Agreement. This Agreement requires that any confidential information received be maintained as such and contains a representation by each state that it has the authority to and will protect such information from disclosure.

• Since all information is shared on a regulator-to-regulator basis, the NAIC treats this information as confidential and expects the states to also treat the information as confidential under the Master Information Sharing and Confidentiality Agreement.

• Most states have statutory authority to share confidential financial information with the NAIC under their examination laws, IRIS or RBC laws or other derivative confidentiality statutes. The NAIC treats information as belonging to the state and, in the event of a subpoena, would work closely with that state to protect the confidentiality and, if applicable, privileged nature of the information.

• All information requested from a state is being requested by the Reinsurance-FAWG and not by the NAIC. Return correspondence from a state is directed to the Reinsurance-FAWG Chair in care of an NAIC staff support person. The confidentiality of the letter responses received shall be governed by the law of the state the chair represents (currently Pennsylvania). A service agreement between the NAIC and state the chair represents will identify specific, designated NAIC staff who are allowed access to such information.