February 23, 2015

The Honorable Julie Mix McPeak
Commissioner
State of Tennessee Department of Commerce and Insurance
Davy Crockett Tower
500 James Robertson Parkway
Nashville, TN 37243-1220

The Honorable Joseph Torti, III
Superintendent
State of Rhode Island Department of Business Regulation
1511 Pontiac Avenue, Building 69-2
Cranston, RI 02920-4407

Via email: kdefrain@naic.org

Re: 2015 XXX/AXXX Reinsurance Supplemental Proposal

Dear Commissioner McPeak and Superintendent Torti:

The Northwestern Mutual Life Insurance Company appreciates this opportunity to comment on the 2015 XXX/AXXX Reinsurance Supplemental Proposal (the "Supplemental Proposal") exposed by the Principle-Based Reserving Implementation (EX) Task Force.

As we have long advocated, transparency as to the impact of captives financing mechanisms is critical to ensure confidence in the strength of reserves and capital, and is necessary to allow all interested parties to assess and respond to financing innovations. With that in mind, we are pleased to see that the Supplemental Proposal addresses each of our suggestions that were deferred when the 2014 XXX/AXXX Reinsurance Supplemental Exhibit was finalized last year. We continue to believe that public disclosure of contingencies to the performance of letters of credit and similar assets and of the details of affiliate guarantees that backstop assets supporting a captive transaction is needed in order to allow regulators and market observers to more fully assess how a captive reinsurance transaction affects the financial condition of the ceding insurer. For the same reason, we also support that the Supplemental Proposal requires public disclosure of the "economic reserve", Primary Security and other key attributes of captive reinsurance transactions that would, but for being "grandfathered", be subject to the substantive requirements of the NAIC’s framework.

In order to refine the Supplemental Proposal to avoid inadvertently triggering disclosure of information that would not be meaningful or useful, we suggest that the NAIC exclude from Part 2 – 5 disclosures those transactions that are clearly outside the intent and purpose of AG-48. In the case of non-grandfathered transactions this exclusion could be triggered by the ceding insurer’s domiciliary regulator having provided (after consultation with FAWG or another group of regulators designated by the NAIC) the exemption described in Section 3.D of AG-48. In the case of grandfathered transactions, another mechanism – perhaps through a carefully worded definitional exclusion – may be a reasonable way to achieve the appropriate scope of disclosure without overburdening regulator resources.

We fully support this effort to strengthen the state insurance regulatory system through enhanced transparency and will be happy to provide further input and assistance.

Sincerely,

Walter M. Givler
Vice President – Solvency Policy