CL Life
An Affiliate of Crestline Management

April 24, 2025

Rachel Hemphill
Chair, NAIC Life Actuarial (A) Task Force (LATF)

Dear Chair Hemphill:

I appreciate the opportunity to provide feedback on the March 23, 2025 exposure draft of the Actuarial Guideline for Reinsurance Asset Adequacy Testing.

In general, I am supportive of stand-alone asset adequacy testing for business ceded under asset intensive treaties. I have been performing stand-alone asset adequacy testing for CL Life's ceded liabilities since the execution of our treaty with Crestline Re SP 2 in 2023. Crestline Re SP 2 is a segregated portfolio of Crestline Re SPC which holds a B(iii) license with the Cayman Island Monetary Authority (CIMA).

As such, I was initially indifferent to the development of this guideline. As the drafting has progressed, I have become increasingly concerned that the guideline may impose restrictions that wouldn't apply to adequacy testing in other contexts.

Since our treaty is with an unauthorized reinsurance company, we utilize a combination of modified coinsurance (ModCo) and coinsurance with funds withheld (FW) as required by the NAIC Credit for Reinsurance Model Law and Regulation. We hold admitted assets backing the statutory reserve for the gross insurance liabilities on CL Life's balance sheet, and liabilities for the gross statutory reserve are also reported on CL Life's balance sheet. Liabilities ceded under modified coinsurance are included in the Exhibit 5 reserve (i.e., there is no reserve credit) and liabilities ceded under coinsurance with funds withheld are included in line 24.03 (funds held under reinsurance treaties with unauthorized reinsurers) on Page 3.

<u>Definition of Post Reinsurance Reserve</u>: I think it would be helpful to clarify that the reserve held by the cedent includes amounts included in line 24.03 on Page 3, otherwise there could be a differential in the post reinsurance reserve between otherwise identical ModCo and FW treaties depending on the accounting practices of the assuming company. Since both treaty types provide the same level of security to the cedent, there shouldn't be a differential in the post reinsurance reserve or starting assets used in the asset adequacy analysis.

<u>Limitation of Starting Assets to Primary Securities</u>: This limitation could exclude assets that would otherwise be considered admitted assets (e.g., Schedule BA assets). I think it would be more appropriate to permit any admitted assets backing the ModCo or FW liabilities.

Thank you for your consideration.

Regards,

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