**Comments Response**

Below are section-by-section comments by Graeme Group on the *AG ReAAT\_3.23.25 Exposure Draft*:

**Section 1 – Effective Date**

* It may be helpful to clarify whether early adoption is permitted.

**Section 2 – Scope**

* Propose that the scoping criteria (i–iv) are consolidated into a table
* We propose that the Guideline include illustrative examples of non-affiliated or grey area transactions e.g., non-affiliated transactions such as cessions to unaffiliated Bermuda or European reinsurers not filing VM-30s, and gray-area transactions involving reinsurers with shared governance, rent-a-captive structures, or newly formed entities funded primarily by premiums.
* Clarify whether these thresholds are per treaty or in aggregate.

**Section 3 – Definitions**

* Clarify whether the definition of "Primary Security" will ultimately refer to a uniform standard or continue to allow flexibility based on regulator judgment.

**Section 4 – Risk Identification**

* Should we explicitly include operational risks in this section, e.g., risks related to data integrity or the legal enforceability of collateral?
* Here are potential metrics to consider for non-primary security measures:
  + Ratio of non-primary security to total reinsurance credit exposure, highlighting reliance on unsupported forms of collateral
  + Duration mismatch between assets backing the reserve credit and liability cash flows
  + Volatility of surplus emergence in post-reinsurance projections
  + Reliance on non-fungible assets or bespoke instruments in the collateral structure

**Section 5 – Analysis and Documentation Expectations**

* Consider referencing criteria that might prompt a commissioner review (e.g., size, leverage, surplus emergence patterns).
* Additional examples of less rigorous analyses:
  + Modified Deterministic Rollforward Analysis - Begins with a known actuarial reserve and evaluates year-over-year reserve rollforward under assumed asset yield, lapse, and mortality patterns.
  + Ratio-Based Surplus Sensitivity Testing - Applies prescribed stresses (e.g., 50bps asset spread widening, 10% lapse shock) to liability values, then assesses impact on surplus or required capital under simple approximations. While not a full AAT, this approach can demonstrate directional sensitivity to material risks.
* The retroactive lookback to 2015 is helpful but may be insufficient if relationships have been restructured to circumvent classification.
* Propose that “non-substantial” is buffered using objective criteria. We can help the NAIC develop these if desired.

**Section 6 – Cash-Flow Testing Details**

* Consider proposing that the Starting Asset Amount for the Alternative Run be presented both gross and net of any non-Primary Security included

**Section 7 – Attribution Analysis**

* The Guideline may benefit from specifying whether attribution analysis is required for each individual transaction or whether it can be presented in aggregate by product type or counterparty.