



April 24, 2025

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

Dear Chair Hemphill:

I write as a representative of the Cayman International Reinsurance Companies Association (CIRCA). We value the opportunity to provide comments on the Life Actuarial (A) Task Force (LATF) AAT for Reinsurance Actuarial Guideline Draft exposure dated March 23, 2025. I have attached a redline of this draft to better illustrate our points and comments.

Our member companies, as unauthorized reinsurers, all fully collateralize our treaties at the U.S. statutory reserve level using admitted assets. That collateral is contractually committed to the ceding company and accessible by them to satisfy policyholder obligations in the event of a default by the reinsurer. We continue to contend that these are therefore low risk transactions. The collateral is what matters and not reserve held by the reinsurer under a different accounting basis. In our prior letters we have asked that such transactions be exempted and then that the collateral rather than the reinsurer's reserve be used in determining the Post-Reinsurance Reserve. Though our suggestions have not impacted the course of the guideline, we continue to feel these are low risk transactions.

The stated objective of the guideline has been to gather information. At this stage we suggest that the concepts of Collateralized Alternative Run and Collateralized Alternative Attribution Analysis be introduced where the Post-Reinsurance Reserve is calculated using the collateral balance rather than the reinsurer reserve. This would enhance the usefulness of information gathered through this exercise since, otherwise, the Alternative Runs could include a wide array of adjustments. Fully collateralized transactions represent a large class of subject transactions since it would include all treaties with unauthorized reinsurers as well as treaties with companies in reciprocal jurisdictions that collateralize the transaction for commercial reasons. This clearly and simply defined category of Alternatives would provide helpful information and alleviate some of the concern that the results from Mandatory Runs that vary by accounting basis may generate.

Please also review the definition of Post-Reinsurance Reserve from the perspective of a modco transaction compared to funds withheld. Two otherwise identical transactions offering the same level of security to the ceding company could result in two different Post-Reinsurance Reserves. Assets equal to the ceded U.S. statutory reserve are held on the ceding company balance sheet under both transactions. The U.S. statutory reserve continues to be held by the ceding company under modified coinsurance. The reserve held by the reinsurer under funds withheld may be under a different accounting basis and differ from the ceded U.S. statutory reserve. This would result in two different Post-Reinsurance Reserves even though they are in substance identical from the ceding company perspective.

CIRCA would like to expand the exemption in 2.A. of the Scope from VM-30 filers to also include those who file Similar Memoranda, as defined in 3.J., to their local regulators if that body is an IAIS member. The Cayman Islands Monetary Authority (CIMA) is our regulator and a founding member of the IAIS. The statement of guidance for our Actuarial Valuation Reports aligns with IAIS standards.



We would recommend removing Section 5H(i). Our organization represents companies that reinsure affiliate and non-affiliate business. Items a-c in this section walls off companies doing affiliate business from even being considered for an exemption from 2025 submissions. Item d automatically scopes in the first treaty or two of any newer reinsurer, regardless of size. Every company has a first transaction that represents 100% (>25%) of its assumed reserves.

As these exposure drafts have become more detailed, they have also become more prescriptive and more restrictive. This guideline will place a burden on ceding company appointed actuaries; a burden that many of them, I believe, do not see coming. Prescribing approaches and methods that stray from the appointed actuary's normal practices increases this burden. Aspects of the appointed actuary's opinion that are subject to their discretion should remain at their discretion for this exercise as well, including selected interest rate scenarios and evaluation of interim results.

We've asked in prior letters that the limitation to Primary Security from Section 4.D. of AG48 be extended to include Other from Section 4.E. This respects the domiciliary commissioner's judgment on the matter. This, however, continues to be more restrictive than standard cash flow testing the appointed actuary performs. We suggest this, instead, be Admitted Assets as defined by the ceding company domiciliary state regulation. Wherever possible, the Mandatory and Alternative Runs under this regulation should be a simple subset of the ceding company appointed actuary's current processes.

Additionally, we think that introducing references to reinsurer capital is likewise well outside normal processes for the appointed actuary. The focus of the guideline is on reserve adequacy however "Excess Capital", "appropriate capital", "commensurate with U.S. risk-based capital standards", and "dedicated to and available for the support of the reinsurance business" are introduced as concepts in the proposed Actuarial Guideline. Given the concepts are subjective as currently stated, and at present the appointed actuary is not required to opine on capital in reserve adequacy testing, this particular guideline does not seem like the place to address reinsurer capitalization. If the idea is to fold the ReAAT work into later versions of VM-30, we recommend the features in the guideline should align as best possible with VM-30. We further suggest that any matters about capitalization should be addressed via other channels.

CIRCA again appreciates the opportunity to provide comments to LATF and thanks you for your consideration. We welcome any opportunity to discuss these and any other points further as the Task Force deems appropriate.

Sincerely,

Gregory L Mitchell

Chair of Board of Directors
Cayman International Reinsurance Companies Association