



THE GENERAL INSURANCE ASSOCIATION OF JAPAN

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July 23, 2018

Superintendent Maria T. Vullo
New York State Department of Financial Services
Chair, NAIC Reinsurance (E) Task Force
Via email to jstultz@naic.org, dschelp@naic.org

Re: GIAJ Comments on proposed revisions to the Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786)

Dear Superintendent Vullo,

The General Insurance Association of Japan (GIAJ)¹ appreciates the opportunity to comment on the proposed revisions to the Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786).

We welcome the overall direction of the revisions which, in general, take account of the principles we highlighted in our February comments² to the NAIC, including consistency with existing rules, fair treatment among reinsurers, efficiency of supervision, and removal of duplicative regulations.

We also believe that the proposed revisions effectively leverage the existing framework of Qualified Jurisdictions under Credit for Reinsurance Model Law (#785) and the Credit for Reinsurance Model Regulation (#786). We acknowledge that the proposed revisions realize reform in an efficient way by creating a new category of jurisdiction (“Reciprocal Jurisdictions”), which comprise Qualified Jurisdictions that meet certain requirements and allow credit for reinsurance ceded to an assuming insurer that has its head office or is domiciled in a Reciprocal Jurisdiction.

We expect each state regulator and the National Association of Insurance Commissioners (NAIC) to continue to move forward with the amendment and implementation of the Model Law/Regulation as well as the development of criteria and a process with respect to Reciprocal Jurisdictions in line with its objectives to promote improved regulation, effective competitive markets and policyholder protection.

¹ GIAJ is an industry organization whose 26 member companies account for about 95 percent of the total general insurance premiums in Japan which is one of seven jurisdictions listed in the NAIC List of Qualified Jurisdictions. Some of our members or their affiliates are certified reinsurers.

² https://www.naic.org/documents/cmte_e_reinsurance_related_180220_public_hearing_comment_letters.pdf

Our comments on individual points are as follows:

Model Regulation 9.B.(1)

We understand that a jurisdiction needs to meet one of the conditions set under 9.B.(1) and (2) of Model Regulation (#786) to be identified as a Reciprocal Jurisdiction. Therefore, “and” at the end of 9.B.(1) should be replaced with “or” in line with 2.F.(1)(a) of Model Law (#785).

Model Regulation 9.B.(2)(c)

9.B.(2)(c) of Model Regulation (#786) requires Qualified Jurisdictions to “provide” through statute, regulation or the equivalent that U.S. insurance groups will not be subject to group supervision by the qualified jurisdiction at the level of the worldwide parent undertaking. From the standpoint of efficiency, each state regulator and the NAIC should be satisfied if such an exemption is secured, in effect, and avoid requiring Qualified Jurisdictions to introduce prescriptive measures.

In order to clarify this point, the exordium of 9.B.(2)(c) could be rewritten as follows: “Provides through statute, regulation or the equivalent in such qualified jurisdiction, to the effect that”.

We wish to have clarification that this provision is not intended to, a) subject an insurance group whose “ultimate” parent is a non-U.S. undertaking to group supervision by the commissioner and b) deny group supervision by a non-U.S. jurisdiction where “ultimate” parent is domiciled in such jurisdiction. The NAIC should take due care in drafting this section so that phrases such as “domiciled or maintain their headquarters” will not create any misunderstanding.

Also, with regard to the term “headquarters”, we wish to have clarification whether there is any particular intention behind the use of this term since the term “head office” is used in other parts of the Model Law/Regulation.

Model Regulation 9.B.(2)(d)

With regard to the “memorandum of understanding” referred to in 9.B.(2)(d) of Model Regulation (#786), the use of The International Association of Insurance Supervisors (IAIS) Multilateral Memorandum of Understanding (MMoU) in line with 11.b. of “Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions” should be allowed from the standpoint of consistency and efficiency of supervision.

Model Regulation 12. and 13.

The title of Model Regulation (#786) 12. and 13. should be amended as follows to reflect the addition of the new section 9:

- Section 12. Trust Agreements Qualified under Section ~~40~~ 11
- Section 13. Letter of Credit Qualified under Section ~~40~~ 11

Other comments

Periodic Evaluation of QJ and RJ

With regard to the Periodic Evaluation to which a QJ is to be subjected, we strongly encourage the Qualified Jurisdiction Working Group to introduce an abbreviated process that focuses on material changes in the applicable reinsurance supervisory system, as stipulated in 12.c. of “Process for Developing and Maintaining the NAIC List of Qualified Jurisdictions”.

We wish to learn whether or not a QJ that meets the additional requirements (to be determined as a “Reciprocal Jurisdiction”) will also be subject to re-evaluation every five years. If this is the case, such re-evaluation should be conducted in an abbreviated manner.

Assuming insurer and assuming reinsurer

We wish to have clarification if distinctions are made with regard to the use of the terms “assuming insurer” and “assuming reinsurer” in the Model Law/Regulation. We note that the term “assuming insurer” is used in the existing part of the Model Law/Regulation while the term “assuming reinsurer” is used in the “Bilateral Agreement between the United States of America and the European Union on Prudential Measures regarding Insurance and Reinsurance”.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Kawagoe', with a stylized flourish at the end.

Makoto Kawagoe
General Manager,
International Business Planning Department
The General Insurance Association of Japan