

ACLI Principles on Collateral Reform

INTRODUCTION

The American Council of Life Insurers (ACLI) appreciates the NAIC's thoughtful, coordinated, and pragmatic approach to the U.S.-EU Covered Agreement as well as its leadership in bringing the Agreement across the finish line. ACLI was pleased that the U.S.'s signing statement recognized the primacy of state insurance regulation, which has been a critical part of ACLI's policy and approach on the Covered Agreement.

The Agreement provides regulatory certainty for insurers and reinsurers. It establishes the terms for companies operating in both the United States and the European Union to do business there. It enables American companies to be competitive with foreign firms in domestic and foreign markets. ACLI members will benefit from the assurance provided by the Covered Agreement, allowing them to dedicate resources to protecting the financial security of their customers. Through retirement and insurance products provided by life insurance companies, 75 million American families are better able to plan, save and guarantee their savings for a secure retirement.

ACLI appreciates the opportunity to participate in the NAIC's public hearing on February 20, 2018, to address implementation of the reinsurance collateral provisions in Article 3 of the Agreement. We urge that the following principles guide the Reinsurance (E) Task Force in its deliberations on any amendments to the Credit for Reinsurance Model Law and Model Regulation.

PRINCIPLES

- Amendments to the Credit for Reinsurance Model Law (#785) and Credit for Reinsurance Model Regulation (#786) should be as succinct and uncomplicated as possible in order to avoid confusion in the implementation process.
- We recommend adding a new section to #785 to 'recognize' EU-based reinsurers.
- We also recommend extending similar treatment to reinsurers based in other qualified jurisdictions. Amendments to the Models to do so should require the reinsurer's home country to recognize the validity of U.S. group supervision, including solvency and capital, governance, and reporting requirements, and to eliminate any collateral or local presence requirements.
- ACLI believes that the current NAIC and state regulatory framework has ample and effective 'guardrails.'

The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with approximately 290 member companies operating in the United States and abroad. ACLI advocates in state, federal, and international forums for public policy that supports the industry marketplace and the policyholders that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing 95 percent of industry assets, 93 percent of life insurance premiums, and 98 percent of annuity considerations in the United States.

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