

APPLICATION AND AGREEMENT

PERTAINING TO A REQUEST TO ADD THE NAME OF A FINANCIAL INSTITUTION TO THE NAIC LIST OF QUALIFIED U.S. FINANCIAL INSTITUTIONS ISSUERS OF LETTERS OF CREDIT FOR USE AS COLLATERAL IN REINSURANCE ARRANGEMENTS

Part One – Information

- 1. About the List** - This List is maintained as part of a service provided by the NAIC to its members; i.e., the commissioners, directors, superintendents and other named state officials that regulate the insurance business in the 50 states, the District of Columbia and the four U.S. territories. NAIC members (and their domiciled insurance companies) use this List to administer state laws pertaining to reinsurance arrangements that incorporate or are based on the NAIC's Credit for Reinsurance Model Law (#785) (Model 785). This List is not intended to be used and may not be used for any other purpose or by any other person or entity. Detailed information about the List is contained in Part Six of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (the P&P Manual), which can be purchased through the NAIC's Publications Department on the NAIC website: (www.naic.org/prod_serv_alpha_listing.htm).
- 2. About Credit for Reinsurance** – Model 785 establishes procedures for domestic insurers to apply to a state insurance department for the grant of an asset or a reduction from liability (i.e., a credit) when the domestic insurer cedes insurance exposure to an assuming insurer (the reinsurer) in a reinsurance arrangement consistent with Model 785. One arrangement contemplated by the Model Law involves reinsurance arrangements in which the reinsurer provides security (collateral) for performance of its reinsurance obligation in the form of a letter of credit issued or confirmed by a “qualified U.S. financial institution.”
- 3. Definition of Qualified U.S. financial institution** – Section 4 of Model 785 defines the term “qualified U.S. Financial Institution” as follows: “A. For purposes of Section 3C of Model 785 a “qualified U.S. financial institution” means an institution that: (1) Is organized or (in the case of a U.S. office of a foreign banking organization) licensed, under the laws of the United States or any state thereof; (2) Is regulated, supervised and examined by U.S. federal or state authorities having regulatory authority over banks and trust companies; and (3) Has been determined by either the commissioner or the Securities Valuation Office of the National Association of Insurance Commissioners to meet such standards of financial condition and standing as are considered necessary and appropriate to regulate the quality of financial institutions whose letters of credit will be acceptable to the commissioner.” **Source:** Model 785, available for free download in PDF file format at: http://store.naic.org/prod_serv_model_laws.htm .
- 4. About this Application** – Qualified U.S. financial institutions that issue letters of credit as collateral in reinsurance arrangements may request that the NAIC add their name to the List, **if they agree to the Conditions for Adding an Applicant to the List in Part two of this Application and Agreement.**
- 5. The Significance of Being on the List** – By adding the name of a qualified U.S. financial institution to the List the SVO communicates to NAIC members and their domiciliary insurers that the Applicant meets the standards specified in Part Six of the P&P Manual. No other communication is intended or should be inferred by anyone. When it adds the name of a qualified U.S. financial institution to the List, the SVO is not expressing an opinion on any aspect of the financial institution's operations, the appropriateness of doing business with the financial institution or the suitability of using any entity on the List as a provider of credit enhancement for securities transactions.

Part Two – Agreement - Conditions for Adding an Applicant to the List

1. **Assumption of Risk of Being on the List** - The Applicant has either read Part Six of the P&P Manual or has had an opportunity to do so which it declined and in either case understands the nature of the NAIC activity represented by the List and fully assumes any risk to itself of exposure to such activities.
2. **Acknowledges SVO Notices and Activities** - The Applicant acknowledge that the SVO will notify NAIC members and their insurers if the Applicant's letter of credit or senior debt credit rating has or is likely to fall below the NAIC established minimum for the List and that the SVO may place the Applicant's name on a privately published Watch List to communicate that the Applicant will not be able to renew its Application in a subsequent business cycle; that it may be removed from the List at the discretion of the SVO if the SVO deems the Applicant's credit rating is unlikely to remain at or above the minimum and will be removed from the List if the NRSRO downgrades the Applicant's credit rating(s) below the minimum established by the NAIC for the List. The Applicant acknowledges that the identified SVO communications and actions are intended to permit NAIC members to more effectively administer existing reinsurance arrangements including by making alternative arrangements if the Applicant's credit ratings falls or is likely to fall below the NAIC established minimum. The Applicant agrees that it shall not deem such communications and activities to constitute commercial defamation, slander or tortious interference with the business of the Applicant.
3. **Provide Evidence of Legal Status as QUSFI** - The Applicant will provide evidence that it is a qualified U.S. financial institution as defined in Part One, Section 3 of this Application and Agreement; authorized to issue letters of credit for reinsurance; has a credit rating assigned by an NRSRO for its letter of credit or senior debt obligation not lower than the minimum established by the NAIC for the List, produced by the NRSRO using the methodology and criteria identified below and contained in Part Six of the P&P Manual.
4. **Agrees to Provide Financial Information** - The Applicant agrees to provide the financial information identified in this Application so that the SVO can monitor its credit rating(s) and notify NAIC members and their insurers of the status of the Applicant's credit rating(s).
5. **Status of Application** - The Applicant acknowledge and agrees that the receipt and or administration of the Application does not indicate that the SVO has agreed to add (or that it will add) the Applicant's name to the List. The Applicant will be advised in writing whether or not it will be added to the List.
6. **Not an Endorsement** - Adding the name of the Applicant to the List is not and shall not be represented by the Applicant to insurers or anyone else to be an endorsement, recommendation or a grant of regulatory approval to any activity whatever (including reinsurance transactions structured to use letters of credit as collateral for a reinsurance obligation) by the SVO, an NAIC employee, the NAIC or any of its members.
7. **The Application** - The Applicant must return this entire, original Application and may not alter, amend or otherwise modify this form in any way.
8. **Governing Law** – Any dispute or controversy arising out of the Agreement set forth in Part Two, or the activities otherwise described in this Application and Agreement shall be governed by the laws of the State of New York and shall be adjudicated in the New York Supreme Court or the US District Court for the Southern District of New York in New York City.

Part Three – The Application
Application for Placement on the Qualified US Financial Institutions List

Initial Application Cover Sheet

Financial Inst. Legal Entity Identifier:	If Foreign Financial Institution: *
Financial Inst. Provider Name:	Country of Domicile:
Financial Inst. Address:	Financial Inst. US Office Address:
Financial Inst. City/Province:	Financial Inst. City/State:
Financial Inst. Postal Code:	Financial Inst. Zip Code:
Financial Inst. Contact Information:	<i>*Attach document identifying each U.S federal or state regulator having authority over banks and trust companies that regulates, supervises, or examines your institution</i>
Name:	
Phone Number:	
Email Address:	

Financial Institution Type: Bank Non-Bank Financial Institution

State Regulator: Federal regulator:

Financial Institution Fiscal Year Ending:

Acknowledgements by Filer:

Financial Institution is eligible to provide LOCs for reinsurance (<i>provide copy of charter; or other document that demonstrates authority to issue LOCs, or latest call report w/schedule RC-L</i>)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Financial Institution has US Office	<input type="checkbox"/> Yes <input type="checkbox"/> No
If U.S, branch or agency of a foreign bank, provide copy of Form FFIEC 002, Schedule L	<input type="checkbox"/> Yes <input type="checkbox"/> No
Meets definition of a qualified US Financial Institution (<i>Part I, item 3 of this Application</i>)	<input type="checkbox"/> Yes <input type="checkbox"/> No
If non-bank financial institution: <i>Provide certification from Board Secretary that entity is authorized to issue LOCs (with corporate seal)</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No
Approved NRSRO Ratings :	
S&P Senior Unsecured Debt/LOC Rating (attach report)	<input type="checkbox"/> Yes <input type="checkbox"/> No Rating:
Approved methodology?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Moody's Senior Unsecured Debt /LOC Rating (attach report)	<input type="checkbox"/> Yes <input type="checkbox"/> No Rating:
If the S&P rating is "BBB or below" and/or the Moody's rating is "Baa2 or below" the credit will be monitored as described in Part Two, Section 2 above and removed from the List if the rating falls below the minimum.	<input type="checkbox"/> Acknowledgement by Filer
Approved methodology?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Describe Financial Institution's experience in issuing	

Letters of Credit: <i>(attach document)</i>	
Filer Agrees to Provide Annual and Quarter/Semi-Annual Financial Reports to NAIC in a timely fashion.	<input type="checkbox"/> Acknowledgement by Filer

Failure by the filer to maintain any of these acknowledgements could result in the Financial Institution being removed from the Qualified Financial Institutions List without notice.

Acknowledgement by SVO Analyst: Name _____ Signature _____ Date _____

Financial Institution is NRSRO rated	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Rating applies to LOC or senior debt	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Rating is provided under the NRSRO methodology shown in the application	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Country of domicile rated at least AA/Aa?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

- 2. Address** - The Application and all accompanying documentation should be sent to: a) in electronic form to SVOInquiry-FI@naic.org. A PDF scan of the signed application is required or b) in physical form, by certified mail to: NAIC –Securities Valuation Office, One New York Plaza, Suite 4210, New York, New York, 10004, Attn: Qualified U.S. Financial Institutions List. You may contact 212.398.9000 with questions.
- 3. Payment of Application Fee** - The Applicant submits the amount a non-refundable fee of US \$1,250.00 for initial application and \$750.00 for annual renewal, payable to:

Bank: UMB Bank - Kansas City MO
 ABA#: 101000695
 Acct: NAIC Acct#: 9870877295
 SWIFT: UMKCUS44

Part Four – Signatures and Acknowledgements

The signatory is an officer of the Applicant authorized to execute this Application and to accept the agreement it contains. By clicking on the “I agree” button below, the officer acknowledges and agrees to bind the Applicant to the statements, terms and conditions set forth herein.

By:

 (Signature)

Name: _____

Title: _____

Date: _____

For SVO Use Only

Dates: Application was received on: _____

Application was complete on: _____

The Response to the Applicant is due on: _____

G:\DATA\SVO Managers\Admin\QUSFI List Application Feb 2018 final V.5.docx