Missouri is a Great Place for Reinsurance

John Rehagen, Acting Division Director
Laurie Pleus, Reinsurance Examiner
Matt Fillo, RGA Reinsurance Company
Brian Snyder, Swiss Reinsurance Company
Overview

- Introduction, Benefits of Reinsurance
- Missouri’s Reinsurance Industry
- Missouri’s Reinsurance Oversight
- Reinsurance Regulatory Hot Topics
- Life Reinsurer Perspectives
- P&C Reinsurers Perspectives
- Questions

MO is Great Place for Reinsurance
Missouri’s Reinsurance Industry

- Includes Large Global Reinsurers
- Both Property & Casualty and Life & Health Reinsurers
- Largest Global Brokers
Missouri’s Reinsurance Oversight

- Staffing
- Resources
- Expertise
- Competency

MO is Great Place for Reinsurance
U.S. & Global Leadership

- NAIC Leadership
- U.S. Leadership
- Global Leadership
NAIC’s Presence in Missouri

- Home office in Kansas City, Missouri
- Large support staff
- Significant available resources

MO is Great Place for Reinsurance
Laurie Pleus, CPA, ARe

• Reinsurance Examiner
• Industry Experience
• Regulatory Experience

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New Credit for Reinsurance Law

- Adopted during the 2013 legislative session
- Based on Model Law adopted by the NAIC in November 2011
- Modernizes Missouri’s reinsurance laws
- Provides for greater competition and reduced cost for reinsurance

MO is Great Place for Reinsurance
New Credit for Reinsurance Law

- Missouri one of first states that enacted reduced collateral provisions
- NAIC Qualified Jurisdictions WG
- NAIC Reinsurance Financial Analysis WG

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New Credit for Reinsurance Law

Certified Reinsurer is eligible for reduced collateral with domestic ceding insurers

• Financial strength rating
• Certified Reinsurer must have a minimum of $250 million of capital and surplus
• Business Practices
• Reputation for prompt payment of claims, including analysis of US ceding insurers’ Sched F reporting of overdue claims

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New Credit for Reinsurance Law

• Each enacting state has authority to:
  ▶ Issue a certification based on its own evaluation; or
  ▶ Defer to another state

• Certified Reinsurer is subject to minimum criteria and must meet information filing requirements (initial and ongoing)
New Credit for Reinsurance Law

• Reinsurer must be domiciled and licensed in a Qualified Jurisdiction
• Enacting state has authority to determine qualification or defer to NAIC List
• Germany, Switzerland, UK & Bermuda
• France, Ireland & Japan under review

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New Credit for Reinsurance Model Law

One Year Ago…
• 13 states had enacted revisions to permit reinsurance collateral reduction and 10 states were considering proposals

Today …
• 23 states have enacted reduced collateral provisions and more are expected to enact
Certification Process

- Ability to approve non-U.S. companies as Certified Reinsurers
- Information on the Department’s website at [http://www.insurance.mo.gov](http://www.insurance.mo.gov)
- Standardized Check Lists
- Passporting to other states (Lead State)

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Certification Process

Notifications

- Department posts public notice
- Department notifies Reinsurance-FAWG
- Reinsurance-FAWG peer-review process (company is notified when approved)
Certification Process

• Department publishes a list of Certified Reinsurers
• A domestic ceding insurer may refer to the list for terms applicable to a Certified Reinsurers
• List provides relevant information (e.g., rating assigned, collateral %, effective date, lines of business)
Certification Process

Rating Tiers / Collateral Matrix

State-Assigned Rating Collateral Reqs

- Secure-1 0%
- Secure-2 10%
- Secure-3 20%
- Secure-4 50%
- Secure-5 75%
- Vulnerable-6 100%

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When is Reduced Collateral Effective

- Reduced collateral/Certified Reinsurer status does **not** apply unless:
  - State enacts revised statute and/or regulation
  - State approves reinsurer’s domicile in a Qualified Jurisdiction
  - State enters into an information sharing agreement with Certified Reinsurer’s regulator

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When is Reduced Collateral Effective

State approves the applicant as a Certified Reinsurer

- Either directly or through pass-porting
- Must still file application to passport but abbreviated.
- Applies to contracts entered into or renewed subsequent to certification effective date

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Why Allow Reduced Collateral

• Interaction with international regulators
• Leveling of international playing field
• Submits to our authority
• Comfort from detailed information provided
• Previously little information or interaction
Certified Reinsurer and the Missouri Department of Insurance

Matthew Fillo
Vice President and Assistant General Counsel – Reinsurance and Regulatory

St. Louis, Missouri
October 15, 2014
What RGA Does & Regulatory Interactions

- **Professional Reinsurer**
  - RGA is a Missouri-domiciled professional reinsurer that is primarily engaged in reinsurance of life and annuity business.
  - Headquarters located in St. Louis and St. Charles counties currently but consolidating soon

- **Significant Global Regulatory Interaction**
  - RGA has significant regulatory interaction on a global basis
  - Offices in 26 countries and business assumed in multiple countries
What RGA Does & Regulatory Interactions

- **Missouri Department of Insurance Interaction**
  - Significant interaction on broad array of topics relating to domestic operations and branch activity abroad
    - Regulatory interaction increases with group supervision
    - World in definitely getting smaller
  - Broad range of formal regulatory filings as well as continued dialogue and information requests
    - Affiliated and non-affiliated transactions and interactions
    - Multiple companies domiciled and otherwise interacting in Missouri
  - Legislative affairs also important
    - Credit for reinsurance amendments (Certified reinsurer), holding company act amendments, etc.
Why Certified Reinsurer Matters to Missouri

- Why certified reinsurers matter in Missouri?
  - **Collateral Reduction**: A Missouri domestic ceding company may (potentially) take full credit for reinsurance for business ceded to a certified reinsurer even if the certified reinsurer does not post collateral equal to 100% of the statutory reserve credit taken
    - Certified Reinsurers that are rated Vulnerable-6 would need to post the full amount
    - Prospective business only
  - **Cost Reduction**: Potentially lower cost of capital for financing and reinsurance
    - Advantageous for any insurance, but especially useful for life and other long tail risks
  - **Broader options**: Potential for specialty reinsurers and financiers to come to market
Certified Reinsurer and TRIA Legislation Update

2014 Director's Regulatory Summit
Swiss Re in Missouri

- 2nd Largest Reinsurance Company in the World
- Headquarters in Zurich, Switzerland (1863)
- North American Headquarters in Armonk, NY
- Active ownership involvement in Missouri since 2006 – GE Insurance Solutions acquisition (Westport Insurance Corp., First Specialty Insurance Co.)
- Westport, f/k/a Employers Reinsurance Corporation (ERC), has been a Missouri domiciled stock corporation and insurance company since 1914.
- Through 2\textsuperscript{nd} Quarter 2014 - $867M Net Written Premiums through Westport and FSIC
Swiss Re as Certified Reinsurer (CR)

- Internal ceding of MO carriers risk to two Swiss based entities
  - Swiss Re Corporate Solutions Ltd
  - Swiss Re Company Ltd
- Initial CR application submitted in 4th Quarter 2013
- Renewals submitted 2nd Quarter 2014
- New process for MO DOI and Swiss Re
- Passporting - renewals and other state CR filings

**CR Impact**

<table>
<thead>
<tr>
<th></th>
<th>Unauthorized Assuming Reinsurer</th>
<th>Approved Certified Reinsurer</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Collateral Amount</td>
<td>@ 100% Collateral Level</td>
<td>@ 20% Collateral Level</td>
<td></td>
</tr>
<tr>
<td>Amounts in USD Millions</td>
<td>150M</td>
<td>30M</td>
<td>120M</td>
</tr>
</tbody>
</table>
# Current TRIA program v. 2014 legislation

<table>
<thead>
<tr>
<th></th>
<th>Current Program</th>
<th>Senate Bill (S. 2244)</th>
<th>House Bill (H.R. 4871)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Duration of Program</strong></td>
<td>7 years (ends on 12/31/2014)</td>
<td>7 years (ends on 12/31/2021)</td>
<td>5 years (ends on 12/31/2019)</td>
</tr>
<tr>
<td><strong>Acts of Terrorism Covered</strong></td>
<td>Foreign and Domestic</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Lines Covered</strong></td>
<td>All commercial P&amp;C lines except crop, PMI, title, financial guaranty, med mal, flood, reinsurance, commercial auto, burglary/theft, surety, prof liability, farm owner's multi peril. L&amp;H not included.</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Trigger</strong></td>
<td>USD 100m</td>
<td>No change</td>
<td>USD 500m for conventional terrorism, phased in over 4 years. No change for NBCR.</td>
</tr>
<tr>
<td><strong>Deductible</strong></td>
<td>20% of prior year DEP for any certified act of terrorism for covered lines</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Co-Participation Ratio</strong></td>
<td>15¢/dollar above deductible</td>
<td>20¢/dollar above deductible</td>
<td>20¢/dollar above deductible for conventional terrorism, phased in over 4 years. No change for NBCR.</td>
</tr>
<tr>
<td><strong>Recoupment Levels</strong></td>
<td>USD 27.5b; amounts must be recouped by 2017; 3% annual premium surcharge cap.</td>
<td>USD 37.5b phased in over 5 years; accelerated recoupment dates</td>
<td>Tied to aggregate of all insurers TRIA deductibles; post-2016, flexibility in timing of recoupment</td>
</tr>
<tr>
<td><strong>Program Cap</strong></td>
<td>USD 100b in insured losses</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Insurer Opt-Out Provisions</strong></td>
<td>None</td>
<td>None</td>
<td>Small insurer opt-out.</td>
</tr>
<tr>
<td><strong>Advisory Committees</strong></td>
<td>None</td>
<td>Establishes advisory committee to review private risk-sharing mechanisms, e.g. reinsurance</td>
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</tr>
</tbody>
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Questions?

MO is Great Place for Reinsurance
Wrap Up

• Missouri’s Staffing & Resources
• Leader in Reinsurance Regulation
• Significant Global Reinsurers
Get Social

#MoReg2014
@MoConsumerHQ
Disclaimer

The information provided in this presentation does not provide legal advice or interpretation and does not bind the Department in its enforcement of Missouri’s insurance laws.