

Funds consisting of Other Security, in an amount at least equal to any portion of the statutory reserves as to which Primary Security is not held are held by or on behalf of the ceding insurer as security under the reinsurance contract;

At least one party to the financing transaction holds an appropriate RBC "cushion"; and

The reinsurance arrangement is approved by the ceding insurer's domestic regulator.

The Executive (EX) Committee adopted the Framework (in concept) on Aug. 17, 2014. As an interim step to implementing the Framework, the NAIC adopted AG 48 on Dec. 16, 2014. The expectation is that AG 48 would eventually be replaced by effective codification through revisions to Model #785 and creation of a new model regulation to establish requirements regarding the reinsurance of XXX/AXXX policies. The Reinsurance (E) Task Force and the Financial Condition (E) Committee adopted the revisions to Model #785 on a joint conference call on Jan. 6, 2016; these revisions were later adopted by the Executive (EX) Committee and Plenary on Jan. 8, 2016.

The Reinsurance (E) Task Force adopted the XXX/AXXX Model Regulation at the Summer National Meeting on Aug.

4. A General Description of the Drafting P

On Nov. 20, 2015, at the Fall National Meeting, the Reinsurance (E) Task Force voted to expose proposed revisions to Model #785 for a public comment period ending Dec. 6, 2015. The Task Force received seven comment letters, and discussed these, along with the proposed revisions to Model #785, on its Dec. 9, 2015, conference call. The Task Force directed NAIC staff to re-expose the revisions to Model #785 for a public comment period ending Dec. 31, 2015. Two updated versions containing these changes were exposed for public comment on Dec. 15, 2015: 1) a version containing revisions to Section 2 and Section 3 of Model #785; and 2) a version containing these similar revisions. 6.413 09ev ee9(.2e)7.9 ()10.9 (ini11C9 7)88.2

to Model #785 and the XXX/AXXX Model Regulation prior to the operative date of the *Valuation Manual*, which the NAIC has recommended to be Jan. 1, 2017; and 6) recommended language by the Life Actuarial (A) Task Force AG 48 Drafting Group (LATF Drafting Group) for Section 4A and Section 6 of the XXX/AXXX Model Regulation. The Reinsurance (E) Task Force received six comment letters, in which a common theme focused on the commissioner's discretion under the XXX/AXXX Model Regulation to allow recapture as a form of remediation, allow for additional time to remediate any shortfall in Primary or Other Security and allow for a stronger consequence option for non-compliance.

On July 28, 2016, the Reinsurance (E) Task Force met via conference call to discuss the most recent draft of the XXX/AXXX Model Regulation. The Task Force agreed to remove recapture as an acceptable form of remediation in the XXX/AXXX Model Regulation, clarifying that if commissioner discretion is used, then this information would be captured as a prescribed or permitted practice under the provisions of statutory accounting prescribed in the *Accounting Practices and Procedures Manual* (AP&P Manual), and to develop a drafting note to capture the discussion on commissioner discretion and permitted practices. The Task Force further voted to remove the references to "before the operative date of the *Valuation Manual*" from the XXX/AXXX Model Regulation, and directed NAIC staff and Consultants to work with members of the Drafting Group and the LATF Drafting Group on reviewing the comments received and developing a single option for Section 4A and Section 6 of the XXX/AXXX Model Regulation.

On Aug. 4, 2016, the Reinsurance (E) Task Force exposed the revised XXX/AXXX Model Regulation and the Summary of Changes Memorandum for a public comment period ending Aug. 22, 2016. The Task Force received four comment letters on the proposed revisions. The following information on Section 4A and Section 6 of the XXX/AXXX Model Regulation was provided by the LATF Drafting Group:

There are two types of policies that are exempt from the scope of AG 48 that the LATF Drafting Group believes should not be exempt from the scope of the XXX/AXXX Model Regulation: 1) attained-age-based yearly renewable term (YRT) life insurance policies (subject to Section 6F of the *Valuation of Life Insurance Policies Model Regulation* (# 830); and 2) Certain n-year renewable term life insurance policies (subject to Section 6G of Model #830). Additionally, while YRT reinsurance is currently exempt from the scope of AG 48 (subject to Section 6E of Model #830), the LATF Drafting Group believes that it should not be exempt from the scope of the XXX/AXXX Model Regulation.

On Aug. 27, 2016, at the Summer National Meeting, the Reinsurance (E) Task Force unanimously adopted the XXX/AXXX Model Regulation as exposed, with the technical edits agreed upon by the Task Force and interested parties. As part of this motion, the Task Force agreed to send the adopted XXX/AXXX Xa6c 0.07 (R)1.6 (e5.1 (a)2.7 (l)27(

