Open Letters Call Out Tepid Insurance Regulation

By Kerry Pechter *Sat, Mar 1, 2025*

Retirement Income Journal shares the concerns expressed in these open letters to the National Association of Insurance Commissioners and thanks the authors for letting us publish them here.

Two *RIJ* subscribers have written separate, open letters to the National Association of Insurance Commissioners (NAIC), calling for a faster, more energetic regulatory response to ongoing life/annuity industry practices—especially the use of offshore reinsurance for capital-reduction reasons—that they believe will harm the interests of insurance policyholders and annuity contract owners.

As a publication, *RIJ* has also been critical of offshore reinsurance, which we consider part of the deceptive "Bermuda Triangle" strategy that private equity firms have introduced to the life/annuity industry since 2009. We share the concerns expressed in these letters and thank the authors for letting us publish them here.

In his letter to NAIC actuary Scott O'Neal, Larry Rybka, chairman of Valmark Financial Group, Akron, Ohio, writes in part, "In both my professional role and personally, as a policyholder of several life insurance and annuity policies myself, I share the concerns expressed by state insurance regulators, rating agencies, and consumer advocates surrounding the risk that domestic life insurers may currently enter into reinsurance transactions that materially lower the amount of reserves and thereby facilitate the release of reserves that prejudice the long-term interests of their policyholders. Further, I support the state insurance regulators in their stated goal of seeking to better understand the amount and quality of reserves and type of assets supporting long duration insurance business that relies substantially on asset returns."

In his letter to the NAIC's Life Actuarial Task Force, annuity owner Peter Gould of Bloomington, IN, says in part, "As a consumer, I'm opposed to any ceding of risk transaction (whether to a reinsurer, other third party or any related party, including parent) that decreases an insurer's reserves or capital supporting contractual promises to policy owners or that reduces the insurer's claims-paying ability. Any such transaction should be subject to mandatory cash flow testing—regardless of the identity of the counterparty."

While these two letters address specific projects undertaken by the NAIC to address specific concerns about "asset adequacy testing" and offshore reinsurance, they should be seen in the context of wider, longstanding concerns about the sluggish and fragmented way that many individual states regulate life/annuity companies and their products in the U.S. But that’s a topic for another day.