

March 4, 2020

Via email: GarbarinoA@nyassembly.gov
Lewis.moore@okhouse.gov

Assemblyman Andrew Garbarino
Representative Lewis Moore

RE: NCOIL IBT Model Law

Assembly Garbarino and Representative Moore,

I am submitting this letter on behalf of Rick Newton and myself in support of the NCOIL IBT model law. Rick and I are independent advisors to carriers, trade groups, regulators and federal agencies. Previously Rick and I provided information to NCOIL to assist its members in considering an Insurance Business Transfer (IBT) model law. This is in follow up to that information and to express our support for the NCOIL IBT model law that is being considered by NCOIL's membership.

Rick and I have a unique connection to the IBT – at the request of regulators in Rhode Island (RI) and legislators in Oklahoma (OK), we assisted in the drafting and passing of IBT legislation for RI in 2015 and OK in 2018, the first U.S. states to pass IBT laws. Both the RI and OK laws are closely modeled on the UK Part VII Transfer legislation that has been in place for decades in the UK. Importantly, there have been no completed UK Part VII Transfers that subsequently encountered financial difficulties.

Since first passing IBT legislation in 2015 Rick and I have invested significant personal time and resources educating companies regarding the IBT process. An overwhelming number of companies, both life and non-life, support IBT legislation. We have spent even more time educating regulators about the IBT and its model, the Part VII Transfer. Many state regulators appreciate the importance and usefulness of the IBT. Finally, we also have spent significant time working with the ACLI on preparing their Guidelines for restructuring transactions. As is to be expected, there are a handful of carriers that express reservations about the legislation and we encourage them to work with regulators and the industry to provide their insights as IBT transactions evolve.

All parties understand the importance of regulations and guidelines for the IBT that are consistent with the legislation and ensure the orderly execution of transactions. Over a year ago, the NAIC formed a working group for the express purpose of preparing best practices for restructuring mechanisms, including the IBT. We are working within the current NAIC framework and have had numerous discussions with regulators and the Working Group on various issues. This collaborative approach between the industry and regulators has been the

general practice of the NAIC for over a hundred years and we are confident that over time all issues will be addressed. We encourage all interested parties, including the ACLI, to work with the NAIC within this framework.

We are aware that the ACLI and/or a few specific carriers have raised objections to the NCOIL IBT model law and that NCOIL has attempted to address many of these objections through changes or discussions with the parties. Currently, there are many carriers in the ACLI and other trade group organizations that are strong supporters of the NCOIL IBT model law. However, despite the fact that, by ACLI's own admission*, there is no consensus on the issues among the trade group members themselves, the ACLI continues to voice objections.** This is a confusing situation for the industry particularly when there is a process already in place within the NAIC to consider these issues.

For the past fifteen months, the NCOIL IBT model law has gone through an extensive and thorough review and there is no reasonable rationale for delaying its approval by NCOIL. There are increasingly more regulators in support of the legislation as they understand its importance as a restructuring tool. We are currently advising carriers on transactions and working with states to pass IBT legislation. As these transactions are executed, supporting regulations and guidelines will evolve.

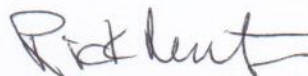
Like other restructuring related legislation that has been managed and overseen by experienced regulators for decades, supporting regulations or guidelines for the IBT will evolve over time. Accordingly, we support the NCOIL IBT model law and look forward to NCOIL approving it on March 6th.

Please let us know if we can provide any additional information to you or other members of NCOIL to assist in the consideration of the IBT model law.

Very truly yours,



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cc: William Milofchik, NCOIL – via email wmelofchik@ncoil.org

*ACLI Comments at July 2019 NCOIL meeting

** We would like to note that the ACLI mistakenly treats all new restructuring mechanisms, like IBT and Division legislation, the same. However, the IBT is very different from Division legislation and it is misleading to treat the two mechanisms similarly. They are very different in both form and effect.