

HB 1619 -- CREDIT FOR REINSURANCE

SPONSOR: Shull (16)

This bill enacts provisions relating to credit for reinsurance as an asset or reduction from liability of an insurer.

The bill authorizes the Director of the Department of Commerce and Insurance to promulgate certain rules, as specified in the bill, to establish requirements relating to or setting forth the valuation of assets or reserve credits, the amount and forms of security supporting reinsurance agreements described in the bill, or the circumstances under which credit will be reduced or eliminated.

Credit for reinsurance is allowed when the reinsurance is ceded to an assuming insurer meeting certain conditions. This bill also requires the director to create and publish a list of reciprocal jurisdictions.

The director shall create and publish a list of assuming insurers that have satisfied the conditions set forth in this bill and to which cessions shall be granted credit as specified in the bill.

If the director determines an assuming insurer no longer meets one or more requirements for recognition as specified in the bill, the director may revoke or suspend the insurer's eligibility for recognition in accordance with the bill. While an assuming insurer's eligibility is suspended, no reinsurance agreement issued, amended, or renewed after the date of suspension shall qualify for credit, except to the extent that the assuming insurer's obligations are secured as provided by law. If an assuming insurer's eligibility is revoked, no credit for reinsurance may be granted after the effective date of revocation with respect to any reinsurance agreement entered into by the insurer, before or after the revocation, except to the extent the insurer's obligations are secured as provided by law.

If subject to a legal process of rehabilitation, liquidation, or conservation, as applicable, the ceding insurer or its representative may seek a court order requiring that the assuming insurer post security for all outstanding liabilities.

Nothing in this bill shall limit or in any way alter the capacity of parties to a reinsurance agreement to agree on requirements for security or other terms in that reinsurance agreement, except as expressly prohibited by law.

Credit may be taken as specified in the bill only for reinsurance agreements entered into, amended, or renewed on or after January 1,

2021, and only with respect to losses incurred and reserves reported on or after the later of: the date on which the assuming insurer has met applicable eligibility requirements, or the effective date of the new reinsurance agreement, amendment, or renewal.

Nothing in this bill shall alter or impair a ceding insurer's right to take credit for reinsurance under the bill as long as the reinsurance qualifies for credit under another applicable provision of law.

Nothing in this bill shall limit or in any way alter the capacity of parties to any reinsurance agreement to renegotiate the agreement.

The bill authorizes the director to adopt rules and regulations applicable to reinsurance agreements relating to certain life insurance policies, variable annuities with guaranteed benefits, long-term care insurance policies, and such other life and health insurance and annuity products as to which the NAIC adopts model rules with respect to credit for reinsurance.

A rule adopted under these provisions regarding life insurance policies may apply to any treaty containing policies issued on or after January 1, 2015, or policies issued prior to January 1, 2015, if risk pertaining to such pre-2015 policies is ceded in connection with a treaty on or after January 1, 2015. A rule adopted under these provisions may require the ceding insurer, in calculating the amounts or forms of security required to be held, to use the NAIC valuation manual to the extent applicable.

Regulations adopted under this authority shall not apply to cessions to an assuming insurer that:

(1) Meets the conditions set forth in this bill or, if this state has not fully implemented the provisions of this bill, is operating in at least five states that have implemented the provisions of this bill; or

(2) Is certified in this state; or maintains at least \$250 million in capital and surplus as specified in the bill and is licensed in at least 26 states, or is licensed in at least 10 states and licensed or accredited in at least 35 states.