

**NATIONAL CONFERENCE OF INSURANCE LEGISLATORS  
PROPOSED APPROVED LIST OF REINSURERS MODEL ACT**

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*To be considered by the NCOIL Executive Committee on March 3, 2007.*

*Adopted by the NCOIL International Insurance Issues Committee on November 22, 2002.*

**CHAPTER ONE: PURPOSE AND SCOPE**

**Section 101. Purpose**

This Act shall be liberally construed and applied to promote its underlying purposes, which shall include the following:

A. protecting and enhancing the viability, security, capacity and efficiency of the reinsurance market in the State for the benefit of cedents, reinsurers, and policyholders;

B. establishing appropriate standards for determining the adequacy of assets securing a reinsurer's obligations to ceding insurers domiciled in the State;

C. facilitating the financially efficient transaction of reinsurance in the State by reducing the excessive collateralization required by law;

D. facilitating the creation and maintenance of a list of reinsurers willing and able to fulfill certain significant reporting requirements by which they establish their financial and operational strength and management integrity;

E. encouraging fair competition among reinsurers of similar financial strength and reliability; and

F. eliminating unnecessary regulation of the reinsurance market in the State.

**Section 102. Scope**

This Act:

A. establishes a high level of capital and surplus, or an equivalent form of assets, that any reinsurer domiciled in the U.S. or outside the U.S. must maintain in order to be included on a list of approved reinsurers;

B. facilitates the use of a detailed set of reporting requirements with which a reinsurer must comply in order to establish the reinsurer's financial and operational strength and management integrity, and therefore be included on a list of approved reinsurers; and

C. allows cedents domiciled in the State to take full financial credit for reinsurance provided by reinsurers on the list of approved reinsurers regardless of the reinsurer's reduced funding requirement.

## **CHAPTER TWO: STATUTORY REVISIONS**

### **Section 201. Credit Allowed A Domestic Ceding Insurer**

The following provision shall be added to Section \_\_\_\_\_ of the State's Insurance Code:

#### **Section \_\_\_\_\_. Credit Allowed a Domestic Ceding Insurer**

In addition to other permissible means for allowing a domestic ceding insurer to take credit for reinsurance, either as an asset or as a reduction from liability on account of reinsurance ceded, credit shall be allowed for reinsurance ceded to an assuming insurer included on the [NAIC Approved Reinsurer List], but only for so long as the assuming reinsurer remains on such list. Credit shall be allowed in an amount equal to one hundred percent (100%) of the reinsurance recoveries due from the assuming reinsurer, but only to the extent that such reinsurance recoveries are specifically secured, at the percentage required for the reinsurer to remain on the [NAIC Approved Reinsurer List], by assets that the reinsurer maintains in a trust fund in a qualified U.S. financial institution, as defined in Section \_\_\_\_, or other funding mechanism as described in Section \_\_\_\_, for the payment of the valid claims of its U.S. ceding insurers, their assigns, and successors in interest. If the assuming reinsurer elects to establish and maintain a trust fund for purposes of this Section \_\_\_\_, the assuming reinsurer and the trust fund shall be subject to the requirements of Section \_\_\_\_ and \_\_\_\_\_. If the assuming reinsurer elects to provide an alternate form of security for purposes of this Section \_\_\_\_, the assuming reinsurer shall be subject to Section \_\_\_\_ to the extent that such section is not inconsistent with this Section \_\_\_\_.

## **CHAPTER THREE: REGULATORY AUTHORITY, EFFECTIVE DATE**

### **Section 301. Rules and Regulations**

The Insurance Authority may, from time to time as conditions warrant, after notice and public hearing, promulgate reasonable rules and regulations, and amendments and additions thereto, as are necessary to administer and implement this Act.

Section 302. Effective Date

This Act is effective on [January 1, 2003].

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