

# NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL)

## Resolution Regarding Reinsurance Collateral Requirements

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*Adopted by the NCOIL Executive Committee on November 19, 2005.*

*Sponsored by Rep. Craig Eiland (TX), Rep. Frank Wald (ND), Rep. Brian Kennedy (RI), Sen. James Seward (NY), Sen. Neil Breslin (NY), Assem. Nancy Calhoun (NY), Rep. Robert Damron (KY), Sen. Steven Geller (FL), Assem. Ivan Lafayette (NY), Sen. William J. Larkin Jr. (NY), Rep. Gene Seaman (TX), Rep. Larry Taylor (TX), Rep. Susan Westrom (KY), Rep. Mark Young (VT)*

**WHEREAS**, efficient and effective regulation of the U.S. reinsurance market will benefit U.S. insurers and consumers; and

**WHEREAS**, the catastrophic losses from recent windstorms, including hurricanes Katrina, Rita and Wilma have demonstrated again the importance of reinsurers, both U.S. and non-U.S., to the U.S. insurance industry; and

**WHEREAS**, NCOIL has been studying the issue of collateral requirements for non-U.S. reinsurers for almost four years; and

**WHEREAS**, the NCOIL International Insurance Issues Committee has adopted the Approved List of Reinsurers Model Act and referred it to the Executive Committee; and

**WHEREAS**, the NAIC and certain state insurance regulators have also been working on possible changes to U.S. reinsurance collateral requirements, and other possible changes to U.S. reinsurance regulation; and

**WHEREAS**, NCOIL believes that the issue deserves careful consideration and, if possible, a coordinated response by NCOIL and the NAIC; and

**WHEREAS**, the resolution of the reinsurance collateral issue will demonstrate how state regulation responds to important international issue;

### **NOW, THEREFORE, BE IT RESOLVED THAT**

NCOIL believes that it is important to continue to reassess U.S. credit for reinsurance rules in light of the evolution of reinsurance markets worldwide and changes in regulatory and accounting standards; and

NCOIL believes that any collateral rules should provide sufficient security for reinsurance contracts, while avoiding excessive requirements that would increase costs or reduce capacity for consumers; and

NCOIL wants to ensure that U.S. credit for reinsurance rules are effective and fair and that any collateral requirements are imposed as needed; and  
NCOIL supports the work of the NAIC in reviewing this issue and urges the NAIC to complete its work on this important matter as soon as possible; and

In order for NCOIL to be fully informed of NAIC progress in this area, NCOIL respectfully requests a report from the NAIC President, or the President's designee, at the NCOIL 2006 Spring and Summer Meetings; and

NCOIL will reconsider the Approved List Reinsurers Model Act taking into consideration the NAIC review findings no later than 2006 July Summer Meeting.

**NOW, THEREFORE BE IT FURTHER RESOLVED THAT** NCOIL distribute this resolution to state legislative leadership and committee chairs, state regulators, and other interested parties.