

Atlantic Corporate Center
2317 Route 34, Suite 2B
Manasquan, NJ 08726
732-201-4133
CHIEF EXECUTIVE OFFICER: Thomas B. Considine



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National Council of Insurance Legislators (NCOIL)

Resolution in Continued Support of the National Association of Insurance Commissioners (NAIC) Credit for Reinsurance Model Law and Regulation (Reinsurance Models)

**To be discussed and considered during the Joint State-Federal Relations & International Insurance Issues Committee on July 11, 2019*

**Sponsored by Rep. Joe Fischer (KY)*

WHEREAS, on June 25, 2019, the NAIC adopted amendments to its Reinsurance Models; and

WHEREAS, the amendments were necessary in order to incorporate provisions relating to reinsurance collateral requirements contained in the Bilateral Agreement Between the United States and the European Union on Prudential Measures Regarding Insurance and Reinsurance, and a substantially similar agreement between the United States and the United Kingdom (together, the Covered Agreements), which were signed in September 2017 and December 2018, respectively; and

WHEREAS, prior to signing the Covered Agreements, NCOIL took the position that if the Federal government entered into a Covered Agreement on reinsurance collateral, thereby capitulating to the requests of representatives of foreign reinsurers to post little to no collateral in the U.S., small and medium sized U.S. insurers and their customers will be greatly disadvantaged; and

WHEREAS, therefore, NCOIL urged any Covered Agreement on reinsurance collateral to maintain at its floor the collateral requirements set forth in the Reinsurance Models, which, in 2011, were amended to allow foreign reinsurers to post significantly less than 100% consumer protection collateral for U.S. claims, provided the reinsurer is evaluated and certified; and

WHEREAS, in a Resolution dated July 17, 2016, NCOIL strongly supported the NAIC Reinsurance Models and urged all States that have not already done so to adopt them; and

WHEREAS, while the Covered Agreements signed ultimately contained provisions relating to reinsurance collateral that NCOIL opposes, NCOIL believes it is extremely important for states to adopt the Reinsurance Models, as amended, because pursuant to

the terms of the Covered Agreements, U.S. state regulators risk federal preemption of state reinsurance laws unless the appropriate reinsurance collateral reforms are adopted into state law within 60 months from September 2017 – the date the Covered Agreement with the EU was signed; and

WHEREAS, NOW, THEREFORE, BE IT RESOLVED, that in order to guard against federal preemption of the state-based system of insurance regulation – a system that has effectively protected consumers and helped create the largest, most competitive and innovative insurance market in the world – NCOIL renews its strong support for the Reinsurance Models and urges all States to adopt the Models, as amended; and

BE IT FINALLY RESOLVED, that a copy of this Resolution will be sent to the Chair of all state committees that have jurisdiction over insurance matters; each State’s Insurance Commissioner; and the Director of the Federal Insurance Office.