

# FOR IMMEDIATE RELEASE

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# NCOIL TO HOLD HEARING ON DRAFT

# APPROVED LIST OF REINSURERS MODEL ACT

**Albany, New York, May 21, 2002** – The National Conference of Insurance Legislators (NCOIL) will consider whether states should reduce trust fund requirements for financially secure non-U.S. reinsurers at a Boston, Massachusetts hearing on Thursday, July 11, Rep. David Counts (TX), Chair of the NCOIL International Insurance Issues Committee, announced today.  NCOIL has scheduled the hearing for 2:30 to 5:00 p.m., at the Sheraton Boston Hotel, in conjunction with its July 11 through 14 Summer Meeting. The Notice of Hearing is attached.

The NCOIL hearing will focus specifically on a European industry proposed *Approved List of Reinsurers Model Act*, which Rep. Francis Wald (ND), Vice Chair of the International Insurance Issues Committee, will sponsor to allow for Committee consideration and discussion.  Rep. Wald said:

“Credit for reinsurance rules were set decades ago to require non-admitted, non-U.S. reinsurers to post collateral in U.S. banks equal to 100 percent of their gross liabilities.  Non-U.S. reinsurers are now regulated more stringently than they once were.  It may be time to change the rules.  At the hearing, our objective will be to provide a forum for balanced discussion on this important and timely issue.  The hearing will help us find a practical balance between the need to increase reinsurance capacity and the goal of maintaining reinsurer solvency.”

The Comité Européen des Assurances (CEA), a European trade association representing insurers and reinsurers from 29 countries, has drafted the proposed model for NCOIL consideration.  As drafted, the proposed model would call for the use of an “approved list” of reinsurers, similar to that used for non-U.S., non-admitted insurers.  The CEA model would allow non-U.S. reinsurers that meet certain financial solvency requirements to voluntarily apply for inclusion on an approved list.  Reinsurers on the approved list could fund their gross liabilities to U.S. cedants at a minimum of 50 percent (30 percent for U.S. subsidiaries of non-U.S. reinsurers).  The CEA proposal would also require non-U.S. reinsurers to make detailed financial filings and submit themselves to U.S. regulatory scrutiny and to the jurisdiction of U.S. courts.

At the hearing, legislators seek testimony specifically on the following questions.

      Do non-U.S. jurisdictions regulate reinsurers for financial solvency as strongly as their U.S. counterparts?  What are the implications of the recent growth in market share that non-U.S. reinsurers have gained in the U.S. reinsurance business?

      How much of an impact would reducing reinsurance trust fund requirements for non-U.S. reinsurers that meet certain solvency standards have on the U.S. insurers that buy reinsurance?  The reinsurance marketplace?  Policyholders?

      Do state credit for reinsurance rules and laws that require a non-U.S. reinsurer to post collateral equal to 100 percent of their gross liabilities restrict the overall capacity of the global reinsurance market?  Do they inhibit competition?  Do they increase the cost of reinsurance premiums to ceding U.S. insurers and their policyholders?  Would reduction of the requirement create greater uncertainty with regard to collection of reinsurance recoverables?

Those wishing to testify at the hearing must submit a meeting registration form and a request-to-testify form.  Both forms are available on the NCOIL Web site at www.ncoil.org, or from the NCOIL National Office by phone at (518) 449-3210. NCOIL will accept written testimony from persons unable to testify at the hearing until July 26.

NCOIL is an organization of state legislators whose main area of public policy concern is insurance legislation and regulation.  Many legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country.

The other members of the NCOIL International Insurance Issues Committee are Vice Chairs Rep. Kathleen Keenan (VT) and Sen. Edward Oliver (MN), as well as Committee members Rep. Terry Parke (IL), Rep. Glenn Ansardi (LA), Rep. Greg Davids (MN), Assem. Clare Farragher (NJ), Assem. Nancy Calhoun (NY), Assem. Donna Ferrara (NY), Assem. Alexander Grannis (NY), Assem. Ivan Lafayette (NY), and Assem. Willis Stephens (NY).

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