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**NCOIL EXECUTIVE COMMITTEE TO CONSIDER APPROVED LIST FOR FOREIGN REINSURERS**

**San Francisco, November 24 -** The NCOIL Executive Committee has voted to consider a proposed *Approved List of Reinsurers Model Act* that would lower collateral standards for non-U.S. reinsurers. The Executive Committee decided to study the measure and give it formal consideration no later than its annual meeting in Santa Fe, New Mexico, in 2003.  The Committee decided to receive further input from foreign and U.S. reinsurers and other interested parties and to monitor NAIC and other regulatory approaches to the issue.

            The NCOIL International Insurance Issues Committee adopted the model by an eight-to-five vote prior to referring it to the NCOIL Executive Committee.  The action follows more than eighteen months of consideration by the International Committee.  The Committee held a hearing in Boston at its 2002 Summer Meeting.

            Rep. David Counts (TX), chair of the International Insurance Issues Committee, said: "The model has been proposed as way to begin to level what some consider an unequal playing field in the regulation of U.S. and non-U.S. reinsurers.  Foreign reinsurers have asked for relief from what they say are overly restrictive collateral requirements."

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            John Greenway, chair of the UK Parliament All Party Insurance and Financial Services Committee, told the International Committee during its consideration of the proposed model: “Two issues have dominated this NCOIL conference - the need to access capacity post 9/11 and the growing demands for federal intervention in insurance regulation. Today you have the chance to show that NCOIL has the maturity to take these difficult decisions and ensure that regulatory requirements are brought up to date so as to be relevant to today’s circumstances.”

            Current state laws require foreign reinsurers to post collateral equal to 100 percent of their gross liabilities in order for a ceding U.S. insurer to take reinsurance credit on its annual statement.  The proposed model sponsored by Rep. Frank Wald (ND), vice chair of the International Insurance Issues Committee, and supported by the Comite Europeen des Assurances (CEA), would allow foreign reinsurers to voluntarily apply for inclusion on an “approved list” of reinsurers. Companies on the list could fund their liabilities to U.S. cedants at a minimum 50 percent of gross liabilities, with U.S. subsidiaries of foreign reinsurers funding at a minimum 30 percent.  The proposal would require approved reinsurers to make detailed financial filings and to submit to both a meaningful level of regulatory scrutiny and to the jurisdiction of U.S. courts.

            Leading domestic insurance and reinsurance companies continue to argue that the European Union (EU) and other foreign regulators do not maintain the regulatory framework necessary to protect U.S. consumers from insurance company insolvency.  They also say that the proposed model would unfairly tap state guaranty funds that pay claimants when insurers are unable to meet their obligations.

            Karen Melchert, Assistant Vice President, State-Government Relations for CNA, said in response to the model: "At this point, this bill is counterproductive.  It would undercut the ability of U.S. insurance companies to collect from non-U.S. reinsurers.  That would lead to additional insolvencies that would harm U.S. consumers and further strain our U.S. guaranty funds.  Action on this bill should be deferred until after the NAIC completes its assessment of the regulation of reinsurers in key European domiciles."

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.

            For more information, please contact the NCOIL National Office at (518) 449-3210.

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