

## NATIONAL CONFERENCE OF INSURANCE LEGISLATORS

### Resolution Regarding Reinsurance Collateral Requirements

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*Adopted by the NCOIL Executive Committee on November 21, 2003.*

**Sponsored by Rep. Mark Young (VT)**

**WHEREAS**, reinsurance support is essential for the efficient operation of the US insurance market and the spread of risks globally and it is important that the US consumer benefits from the strongest, most competitive reinsurance market possible; and

**WHEREAS**, non-US reinsurers provide critical capacity for the US insurance market, including helping to insure large risks such as catastrophic losses from terrorism, windstorm and earthquake, as well as risks requiring specialized underwriting, such as medical malpractice, aviation, and war; and

**WHEREAS**, the collectibility of reinsurance is important to the solvency of the U.S. insurance market, the protection of the state-based guaranty fund system, and the protection of the U.S. policyholder; and

**WHEREAS**, reinsurance markets, both in the United States and Europe are undergoing significant changes; and

**WHEREAS**, NCOIL has been studying the issue of collateral requirements for non-US reinsurers; and

**WHEREAS**, any collateral rule should provide sufficient security for all reinsurance contracts, while avoiding excessive requirements that would increase costs or reduce capacity for consumers; and

**WHEREAS**, after more than two years of discussion, debate, and hearings and three fact-finding trips to Europe by NCOIL representatives, the NCOIL International Insurance Issues Committee voted last November to adopt the *Approved List of Reinsurers Model Act* and refer it to the Executive Committee; and

**WHEREAS**, the NCOIL Executive Committee then held a two-hour hearing on this issue on July 11, 2003; and

**WHEREAS**, the NCOIL *Approved List of Reinsurers Model Act*, if approved, necessitates the involvement of the NAIC as the entity to create, maintain and facilitate the approved list, develop appropriate eligibility criteria, and promulgate regulations to implement the bill; and

**WHEREAS**, the NAIC has taken up this issue and has created two working groups to investigate the related enforceability and accounting issues; and

**WHEREAS**, an appropriate resolution of the reinsurance collateral issue is essential in a global insurance market and if the state insurance regulatory system is going to demonstrate that it can respond to international issues;

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

NCOIL strongly supports reassessment of credit for reinsurance rules in light of the evolution of reinsurance markets worldwide and changes in regulatory and accounting standards; and

NCOIL applauds and strongly supports the work of the NAIC in reviewing this issue and urges the NAIC to complete its work on this important matter in a timely manner; 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 2004 Spring and Summer Meetings; and

NCOIL intends to further its consideration of the *Approved List of Reinsurers Model Act* taking into account the findings of the NAIC review no later than its 2004 July Summer Meeting.