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National Conference of Insurance Legislators (NCOIL)

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

Adopted by the Executive Committee on July 17, 2016 and by the International Insurance Issues and State-Federal Relations Committees on July 16, 2016

Sponsored by Rep. Joseph Fischer (KY)

WHEREAS, in light of U.S. and EU representatives continuing their efforts towards the pursuit of a Covered Agreement in absence of an EU finding of US Equivalence, NCOIL believes that it is important to reaffirm its unqualified support for the U.S. state-based insurance regulatory system; and

WHEREAS, NCOIL believes that a Covered Agreement relating to reinsurance collateral requirements with collateral requirements below those set forth in the Reinsurance Models will pose an economic threat to the state-based regulation of insurance thereby undermining U.S. policyholders and companies; and

WHEREAS, State regulators have historically required foreign reinsurers to hold 100% collateral within the U.S. for the risks they assume from U.S. insurers, intended to ensure claims-paying capital is available and reachable by U.S. firms and regulators should it be needed, particularly in the wake of a natural disaster; and

WHEREAS, foreign reinsurers' regulators and politicians have objected to their companies having to post a high amount of collateral in the U.S. because it makes such capital unavailable for other purposes; and

WHEREAS, in 2011, the NAIC worked with State regulators and amended its Reinsurance Models 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, to date, 35 States have passed legislation to implement those Reinsurance Models, with additional States having plans to do so; and

WHEREAS, NCOIL believes that States that have passed or will pass the Reinsurance Models strengthen the argument that State regulation is flexible, adaptable to changes in

the global reinsurance markets, and respectful to other competent regulatory structures;
and

WHEREAS, NCOIL believes that if the Federal government enters 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, if implemented, NCOIL urges a Covered Agreement on reinsurance collateral to maintain as its floor the collateral requirements set forth in the NAIC's Reinsurance Models; and

NOW, THEREFORE, BE IT RESOLVED, that NCOIL strongly supports the NAIC Reinsurance Models and urges all States that have not already done so to adopt them; and

AND, BE IT FINALLY RESOLVED, that this resolution will be distributed to state legislative leadership, committee chairs and members, state regulators, and other interested parties.