



**STATE OF CONNECTICUT**  
*INSURANCE DEPARTMENT*

Via Email ([RRAgencySubmittal@cga.ct.gov](mailto:RRAgencySubmittal@cga.ct.gov))

April 11, 2013

Legislative Regulation Review Committee  
Room 011  
State Capitol Building  
Hartford, Connecticut  
Attn.: Pamela Booth, Administrator

Re: Proposed Regulation Concerning Credit for Reinsurance – Substitute Pages

Dear Senator Ayala, Representative Noujaim, and Committee Members:

Currently pending before the Legislative Regulation Review Committee is the Insurance Department's proposed regulation concerning credit for reinsurance, as filed with the Committee on March 1, 2013.

In accordance with the provisions of Committee Rule (13), the Insurance Department hereby submits to the Legislative Regulation Review Committee two substitute pages to the pending regulation which make the following changes:

- (1) On page 2, paragraph (A) of Sec. 38a-88-2(a)(3) is changed to Sec. 38a-88-2(a)(4).
- (2) On page 4, Sec. 38a-88-3(b)(4)(a) is changed to Sec. 38a-88-3(b)(4)(A).
- (3) On page 4, Sec. 38a-88-3(b)(4)(b) is changed to Sec. 38a-88-3(b)(4)(B).

Attached please find copies of page 2 and page 4, as well as a copy of the entire proposed regulation incorporating the two substitute pages.

Thank you for your consideration of the above. Your review and approval of this regulation is respectfully requested.

Very truly yours,

  
Jon E. Arsenault  
General Counsel

Attachments

cc: Jim Perras, Government Relations Liaison

which statutory financial statement credit for reinsurance is claimed. An accredited reinsurer is one which:

(1) Files a properly executed Form AR-1 (Appendix A of this regulation) as evidence of its submission to this state's jurisdiction and to this state's authority to examine its books and records;

(2) Files annually by March 1 with the Commissioner a certified copy of a certificate of authority or other acceptable evidence that it is licensed to transact insurance or reinsurance in at least one state, or, in the case of a United States branch of an alien assuming insurer, is entered through and licensed to transact insurance or reinsurance in at least one state;

(3) Files annually by March 1 with the Commissioner a copy of its annual statement filed with the insurance department of its state of domicile or, in the case of an alien assuming insurer, with the state through which it is entered and in which it is licensed to transact insurance or reinsurance, and a copy of its most recent audited financial statement; and

[(A)] (4) Maintains a surplus as regards policyholders in an amount not less than \$20,000,000 [and whose accreditation has not been denied by the Commissioner within 90 days of its submission; or (B) Maintains a surplus as regards policyholders of less than \$20,000,000, and whose accreditation has been approved by the Commissioner] or obtain the affirmative written approval of the Commissioner upon a finding that it has adequate financial capacity to meet its reinsurance obligations and is otherwise qualified to assume reinsurance from domestic insurers.

(b) If the Commissioner determines that the assuming insurer has failed to meet or maintain any of these qualifications, the Commissioner may upon written notice and opportunity for hearing suspend or revoke the accreditation. Credit shall not be allowed a domestic ceding insurer under this section if the assuming insurer's accreditation has been revoked by the Commissioner or if the reinsurance was ceded while the assuming insurer's accreditation was under suspension by the Commissioner.

### **Sec. 38a-88-3. Credit for reinsurance - Reinsurer domiciled in another state**

(a) The Commissioner shall allow credit for reinsurance ceded by a domestic insurer to an assuming insurer that as of any date on which statutory financial statement credit for reinsurance is claimed:

(1) Is domiciled in (or, in the case of a United States branch of an alien assuming insurer, is entered through) a state which employs standards regarding credit for reinsurance substantially similar to those applicable under [Sections] sections 38a-85 to 38a-89, inclusive, of the Connecticut General Statutes and [this regulation] sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies;

(2) Maintains a surplus as regards policyholders in an amount not less than \$20,000,000; and

(3) Files a properly executed Form AR-1 (Appendix A of this regulation) with the Commissioner as evidence of its submission to this State's authority to examine its books and records.

(b) The provisions of this section relating to surplus as regards policyholders shall not apply to reinsurance ceded and assumed to pooling arrangements among insurers in the same holding company system. As used in this section, "substantially similar" standards means credit for reinsurance standards which the Commissioner determines equal or exceed the standards of [Sections] sections 38a-85 to 38a-89, inclusive, of the Connecticut

an amount not less than the [group's] respective underwriters' several liabilities attributable to business ceded by United States domiciled ceding insurers to any [member] underwriter of the group;

(ii) For reinsurance ceded under reinsurance agreements with an inception date on or before [July 31, 1995] December 31, 1992, and not amended or renewed after that date, notwithstanding the other provisions of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies, funds in trust in an amount not less than the [group's] respective underwriters' several insurance and reinsurance liabilities attributable to business written in the United States; and

(iii) In addition to these trusts, the group shall maintain a trusted surplus of which \$100,000,000 shall be held jointly for the benefit of the United States domiciled ceding insurers of any member of the group for all the years of account.

(B) The incorporated members of the group shall not be engaged in any business other than underwriting as a member of the group and shall be subject to the same level of regulation and solvency control by the group's domiciliary regulator as are the unincorporated members. The group shall, within ninety 90 days after its financial statements are due to be filed with the group's domiciliary regulator, provide to the [commissioner] Commissioner: (i) An annual certification by the group's domiciliary regulator of the solvency of each underwriter member of the group; or (ii) If a certification is unavailable, a financial statement, [audited] prepared by independent public accountants, of each underwriter member of the group.

(4)(A) The trust fund for a group of incorporated insurers under common administration, whose members possess aggregate policyholders surplus of \$10,000,000,000 (calculated and reported in substantially the same manner as prescribed by the NAIC Annual Statement Instructions Manual and NAIC Accounting Practices and Procedures Manual) and which has continuously transacted an insurance business outside the United States for at least three (3) years immediately prior to making application for accreditation, shall:

(i) Consist of funds in trust in an amount not less than the assuming insurers' several liabilities attributable to business ceded by United States domiciled ceding insurers to any members of the group pursuant to reinsurance contracts issued in the name of such group;

(ii) Maintain a joint trusted surplus of which \$100,000,000 shall be held jointly for the benefit of United States domiciled ceding insurers of any member of the group; and

(iii) File a properly executed Form AR-1 (Appendix A of this regulation) as evidence of the submission to this state's authority to examine the books and records of any of its members and shall certify that any member examined will bear the expense of any such examination.

[(3)] (B) Within 90 days after the statements are due to be filed with the group's domiciliary regulator, the group shall file with the [commissioner] Commissioner an annual certification of each underwriter member's solvency by the member's domiciliary regulators, and financial statements, [audited] prepared by independent public accountants, of each underwriter member of the group.

(c) (1) Credit for reinsurance shall not be granted unless the form of the trust and any amendments to the trust have been approved by either the commissioner of the state where the trust is domiciled or the commissioner of another state who, pursuant to the terms of the trust instrument, has accepted responsibility for regulatory oversight of the trust. The form of the trust and any trust amendments also shall be filed with the commissioner of every state in which the ceding insurer beneficiaries of the trust are domiciled. The trust instrument shall provide that: