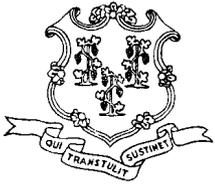


## **SECTION 1. INSURANCE DEPARTMENT SUBMITTAL LETTER**



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

Via Hand Delivery and Email (rragencysubmittal@cga.ct.gov)

June 11, 2013

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

Re: Proposed Regulation Concerning Credit for Reinsurance

Dear Senator Ayala, Representative Noujaim, and Committee Members:

In accordance with Conn. Gen. Stat. § 4-170, I hereby submit the original of the above-referenced proposed regulation bearing the approval of the Attorney General as to legal sufficiency, together with an electronic copy thereof in the format designated by your Committee.

The Insurance Department is promulgating the proposed regulation concerning credit for reinsurance to implement the provisions of Public Act No. 12-139 and is based on the provisions of the National Association of Insurance Commissioners' *Credit for Reinsurance Model Regulation*. As more fully explained in the detailed narrative contained in the statement of purpose to the regulation, the proposed amendments will expand the options under which a U.S. insurer is allowed to take credit for reinsurance in its financial statements when risk is ceded to a "certified reinsurer".

Please note: (1) as required by Conn. Gen. Stat. § 4-168a, the Insurance Department considered the impact of the proposed regulation on small businesses and, in doing so, determined that the preparation of a regulatory flexibility analysis, as contemplated by this statute, was not needed; (2) no public hearing was requested nor was held by the Department on this regulation; (3) the Department received three written comments reflecting support for the proposed regulation in general but with certain suggested changes, as summarized in Section 7 of this submission.

On April 23, 2013, the Committee rejected the proposed regulation without prejudice based on the recommendations of the Legislative Commissioners' Office. Given the significance of LCO's substantive concerns, the Department subsequently met with LCO staff and evaluated proposed changes to the regulation which delayed its resubmission to the Committee. The Insurance Department has now revised the regulation by making the substantive and technical corrections noted in the enclosed "Summary of Changes".

Your review and approval of this regulation is respectfully requested. As always, if you have any questions concerning this proposed regulation, please do not hesitate to call me or Jim Perras, at 860-297-3864.

Very truly yours,

Anne Melissa Dowling  
Deputy Insurance Commissioner

cc: Jon Arsenault, General Counsel  
Jim Perras, Government Relations Liaison

## Credit for Reinsurance Regulation Summary of Changes

### **Substantive Concerns:**

1. Section 38a-88-4a(b)(3)(D) has been revised to limit other requirements the commissioner might impose on certified reinsurers to only those that are necessary or appropriate for the protection of the policyholders of the ceding insurer or in the public interest.
2. The fifth line of section 38a-88-4a(b)(4) has been revised by the deletion of the following: "... , include, but are not limited to,..."
3. Section 38a-88-4a(b)(4)(K) has been revised to limit other information the commissioner might deem relevant to the evaluation process for certified reinsurers to other information as necessary or appropriate for the protection of the policyholders of the ceding insurer or in the public interest.
4. Section 38a-88-4a(b)(7) has been revised to require the certified reinsurer to indicate in writing those portions of its filings that it believes are exempt from disclosure pursuant to section 10210(b)(5) of the Connecticut General Statutes.
5. Section 38a-88-4a(b)(7)(G) has been revised to limit other information the commissioner would require certified reinsurers to file to only information that is necessary or appropriate for the protection of the policyholders of the ceding insurer or in the public interest.
6. Line 12 of section 38a-88-4a(c)(2) has been revised by the deletion of the following: "include, but are not limited to".
7. Section 38a-88-4a(c)(2)(I) has been revised to limit other factors the commissioner might deem relevant and therefore consider in determining whether to recognize a qualified jurisdiction to only those factors relevant for the evaluation of the appropriateness and effectiveness of the reinsurance supervisory system within the non-U.S. jurisdiction.
8. Section 38a-88-4a(c)(3) has been revised to delete the first sentence that required the NAIC to publish a list of qualified jurisdictions and changed the second sentence, which now becomes the first sentence, to indicate that if the NAIC publishes a list of qualified jurisdictions, the commissioner shall consider this list in determining qualified jurisdictions. The next sentence is revised to indicate that if the commissioner approves a jurisdiction that does not appear on the list of qualified jurisdictions, the commissioner would have to provide thoroughly documented justification with respect to the criteria contained in subparagraphs (A) and (I) of subdivision (2).
9. Line 7 of section 38a-88-7(b)(13) replaced the term "Insurance Code" with "provisions of Title 38a of the Connecticut General Statutes".

### **Technical Corrections:**

1. In line 2 of section 38a-88-1(a)(3), "liabilities" is underlined as new language for proper form; and in line 12 of said section, "and" is bracketed for proper form.
2. In line 1 of section 38a-88-2(a)(1), "(I)" was changed to "(1)", and "this regulation" was bracketed and "sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies" was inserted.
3. In line 4 of section 38a-88-2(a)(4)(A) "obtain" was changed to "obtains".
4. In line 1 of section 38a-88-3(a)(3) "this regulation" was bracketed and "sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies" was inserted after the closing bracket.
5. In line 5 of section 38a-88-4(a) "38a-87(b)" was bracketed and "38a-87" was inserted after the closing bracket.

6. In line 1 of section 38a-88-4(b)(2), "At" was replaced with "For a trust over which the Commissioner has principal regulatory oversight, at"; and in line 3 of said section, "commissioner with principal regulatory oversight of the trust" was replaced with "Commissioner".
7. In line 1 of section 38a-88-4(b)(4)(a) "insurers" was replaced with "underwriters".
8. In line 1 of section 38a-88-4(b)(4)(a)(iii) "this regulation" was replaced with "sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies".
9. In line 2 of section 38a-88-4(c)(1)(A), "in accordance with" was replaced with "pursuant to" and "of the Regulations of Connecticut State Agencies" was inserted after "38a-88-4a(a)(1)"; in line 4 of said section, "[remaining]" was inserted after "extent"; and in lines 4 and 5 of said section, "proof of loss has been submitted and payment from the reinsurer remains" was underlined as new language.
10. In lines 4 and 5 and line 7 of section 38a-88-4(d), "38a-87(a)" was bracketed and "38a-86(3)" was inserted after the closing bracket; and in line 12 of said section, "(l)" was changed to "(1)".
11. In line 2 of section 38a-88-4(d)(2) the period after "States" was bracketed.
12. In line 4 of section 38a-88-4(d)(5)(A)(ii), "(i)(1)" was changed to "(i)(l)"; and in line 5 of said section, "subsection" was bracketed and "subparagraph" was inserted after the closing bracket.
13. In line 3 of section 38a-88-4(d)(6)(B) the period after "Development" was replaced with a comma.
14. In line 2 of section 38a-88-4(d)(8)(A) "80a-l" was changed to "80a-1".
15. In line 1 of section 38a-88-4a(a), "(1)" was inserted after "(a)"; in line 6 of said section, "38a-85a and" should was inserted after "38a-85,"; in line 7 of said section, "Sec. 2 of Public Act No. 12-139," was deleted; and in line 11 of said section, "(1)" was deleted.
16. In line 2 of section 38a-88-4a(a)(3), "security" was moved to after "(100%)".
17. In line 3 of section 38a-88-4a(4), "company" was changed to "insurer".
18. In line 5 of section 38a-88-4a(b)(1), "paragraph" was changed to "subdivision".
19. In line 3 of section 38a-88-4a(b)(2), "in accordance with" was changed to "pursuant to" and "(a)" was changed to "(a)(1)".
20. In line 1 of section 38a-88-4a(b)(3)(A), "must" was changed "shall".
21. In line 1 of section 38a-88-4a(b)(3)(B), "must" was changed to "shall"; in line 2 of said section, "calculated" was changed to "determined"; and in line 3 of said section, "association" was changed to "group".
22. In line 1 of section 38a-88-4a(b)(3)(C), "must" was changed to "shall".
23. In line 1 of section 38a-88-4a(b)(3)(D), "must" was changed to "shall".
24. In line 2 of section 38a-88-4a(b)(4), "an association" was changed to "a group"; and in lines 5-6 of said section, the comma after "include" and the words "but are not limited, to" were deleted in response to LCO substantive concern #2.
25. In lines 2 and 3 of section 38a-88-4a(b)(4)(D), "this regulation" was changed to "sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies".
26. In line 3 of section 38a-88-4a(b)(4)(H), "must" was changed to "shall".

27. In line 6 of section 38a-88-4a(b)(5), "section 38a-88-4a(b)(4)(A) of the Regulations of Connecticut State Agencies" was changed to "subsection (b)(4)(A) of this section".
28. In line 2 of section 38a-88-4a(b)(5)(C), "38a-8-1-101" was changed to "38a-8-101"; and in line 3 of said section, ", Standards on Hazardous Financial Condition" was deleted and a period was inserted after "Agencies".
29. In line 1 of section 38a-88-4a(b)(6), "must" was replaced with "shall"; and in line 2 of said section, "this regulation" was changed to "sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies".
30. In line 1 of section 38a-88-4a(b)(7), "must" was changed to "shall".
31. In line 1 of section 38a-88-4a(b)(7)(A), "within" was changed to "not later than" and "of" was changed to "after"; and in line 4 of said section "therefore" was changed to "therefor".
32. In lines 1 and 2 of section 38a-88-4a(b)(7)(B), "this regulation" was changed to "sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies"; and in line 1 of said section, "Form" was inserted before "CR-F".
33. In line 2 of section 38a-88-4a(b)(7)(C), "subsection (d) of this subsection" was changed to "subparagraph (D) of this subdivision".
34. In line 2 of section 38a-88-4a(b)(7)(D), "must" was changed to "shall".
35. In line 4 of section 38a-88-4a(b)(8)(B), "Regulation" was changed to "Regulations"; in lines 4 and 5 of said section, "Standards on Hazardous Financial Condition," was deleted; and in lines 6 and 7 of said section, "suspend, revoke, or otherwise modify" was changed to "suspend or revoke".
36. In line 1 of section 38a-88-4a(c)(1), "this" was inserted before "section" and in lines 1 and 2 of said section, "38a-88-4a of the Regulations of Connecticut State Agencies" was deleted.
37. In line 9 of section 38a-88-4a(c)(2), "must" was changed to "shall".
38. In line 5 of section 38a-88-4a(c)(3), "subdivision" was changed to "subdivisions" and the extra closing parenthesis after "(2)" was deleted.
39. In line 4 of section 38a-88-4a(d)(1), "this regulation" was changed to "sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies".
40. In line 4 of section 38a-88-4a(d)(2), "within" was changed to "not later than".
41. In line 3 of section 38a-88-4a(d)(4), "in accordance with" was changed to "pursuant to".
42. In line 1 of the heading of section 38a-88-6, "**Asset**" was changed to "**Credit for an asset**".
43. In line 2 of section 38a-88-6(a)(1), "credit for an asset or a" was inserted before "reduction"; in line 5 of said section, "credit or" was inserted before "reduction"; and in line 11 of said section, "38a-87(b)" was bracketed and "38a-87" was inserted after the closing bracket.
44. In line 2 of section 38a-88-6(a)(3), "38a-87(a)" was bracketed and "38a-86(3)" was inserted after the closing bracket.
45. In line 1 of section 38a-88-7(b), "**of the Regulations of Connecticut State Agencies**" was inserted after "**38a-88-6**".
46. In line 3 of section 38a-88-7(b)(1), "38a-87(b)" was bracketed and "38a-87" was inserted after the closing bracket.
47. In line 2 of section 38a-88-7(b)(7) an underlined comma was inserted after "account".

48. In line 6 of section 38a-88-7(b)(11)(C) "38a-87(b)" was bracketed and "38a-87" was inserted after the closing bracket; and in line 8 of said section, "above" was bracketed and "of this subdivision" was inserted after the closing bracket.
49. In line 1 of section 38a-88-7(b)(12), "38a-88-I" was changed to "38a-88-1".
50. In lines 4 and 12 of section 38a-88-7(b)(13), "must" was changed to "shall".
51. In line 7 of section 38a-88-7(b)(13), "of the above" was changed to "thereof".
52. In line 1 of section 38a-88-7(c), "**of the Regulations of Connecticut State Agencies**" was inserted after "**38a-88-6**".
53. In line 7 of section 38a-88-7(c)(3), "(d)(1)(B)" was bracketed and "(b)(13)" was inserted after the closing bracket.
54. In line 1 of section 38a-88-7(d)(1)(D)(i), a space was inserted between "pay" and "or".
55. In line 1 of section 38a-88-7(d)(2)(C)(i), a space was inserted between "subparagraph" and "(B)".
56. In line 3 of section 38a-88-7(d)(3), "this regulation" was bracketed and "sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies" was inserted after the closing bracket.
57. In lines 1 and 4 of section 38a-88-7(d)(4), "this regulation" was bracketed and "sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies" was inserted after the closing bracket.
58. In line 1 of section 38a-88-8(a), "must" was bracketed and "shall" was inserted after the closing bracket; in line 3 of said section, "38a-87(a)" was bracketed and "38a-86(3)" was inserted after the closing bracket; and in line 9 of said section, "(i)(1)" was bracketed and "(h)(1)" was inserted after the closing bracket.
59. In line 2 of section 38a-88-8(h)(2)(A), "[Subsection] subsection [(i)(1)(B)] (h)(1)(B) of this section" was changed to "[Subsection (i)(1)(B) of this section] subdivision (1)(B) of this subsection".
60. In line 6 of section 38a-88-10, "this regulation" was bracketed and "sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies" was inserted after the closing bracket.
61. In line 7 of section 38a-88-10(c), "and" was bracketed.
62. In line 7 of section 38a-10(d), an underlined semicolon was inserted after "panel" and the period was bracketed.
63. In line 5 of section 38a-88-11, "Public Act No. 12-139" was changed to "sections 38a-85, 38-85a and 38a-86 of the Connecticut General Statutes".
64. In line 1 of section 38a-88-12, "this regulation" was bracketed and "sections 38a-88-1 to 38a-88-11, inclusive, of the Regulations of Connecticut State Agencies" was inserted after the closing bracket; and in line 2 of said section, the brackets were deleted and in line 3 of said section, "regulation" was deleted for proper form.
65. In the last line, "appendix" and "page" was bracketed and "appendices" and "pages" was inserted after the closing brackets, respectively.
66. In Form AR-1, Appendix A, "[senior]" was inserted after "(name of ...)".
67. The forms included in the proposed regulations (Appendices B, C and D) are new forms. As such, "(NEW)" was inserted preceding each form.