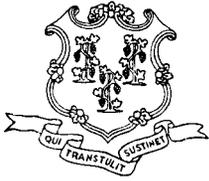


SECTION 8. MISCELLANEOUS INFORMATION

- **Advance Notice of Regulation Adoption Proceedings**
- **Public Comments Received**
- **Agency Response to Public Comments**
- **Statement in Support of the Intention of the Insurance Department to Proceed with the Adoption of the Proposed Regulation**

Advance Notice of Regulation Adoption Proceedings



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

VIA E-MAIL

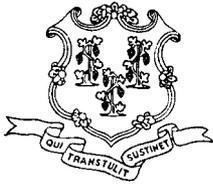
To: Persons Requesting Advance Notice of Proposed Regulations
From: Jon E. Arsenault, General Counsel
Date: October 5, 2012
Re: Advance Notice of Insurance Department Regulation-Making Proceedings

According to our records, you have requested advance notice of the Insurance Department regulation adoption proceedings pursuant to Section 38a-8-73 of the Regulations of Connecticut State Agencies.

In this regard, as required by Conn. Gen. Stat. § 4-168(a)(3), enclosed is a Notice of Intent to Amend Regulations concerning credit for reinsurance. Also enclosed is a copy of the proposed regulation, small business impact statement and agency fiscal estimate.

We have been advised by the Commission of Official Legal Publications that the notice of the intent to amend Insurance Department regulations will be published in the October 23, 2012 issue of the Connecticut Law Journal.

Enclosures



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Notice of Intent to Amend Regulations

In accordance with section 4-168(a) of the Connecticut General Statutes, notice is hereby given that the Insurance Commissioner, pursuant to the authority of section 38a-88 of the Connecticut General Statutes and Connecticut Public Act No. 12-139, proposes to amend regulations concerning credit for reinsurance.

Statement of Purpose: To update the provisions of regulations concerning credit for reinsurance to implement the provisions of Public Act No. 12-139.

All interested persons are invited to submit written data, views, or arguments in connection with the proposed action within thirty days following publication of this notice in the Connecticut Law Journal to the State of Connecticut, Insurance Department, Attention: Jon E. Arsenault, Esq., P.O. Box 816, Hartford, CT 06142-0816.

Copies of the proposed regulation, small business impact statement and agency fiscal estimate of proposed regulation may be obtained by writing to the Insurance Department at the above address or by calling (860) 297-3804. One may view these documents and this notice by visiting the Insurance Department's internet web site at www.ct.gov/cid and clicking on "Proposed Regulations". Because the proposed regulation does not affect small businesses directly, no regulatory flexibility analysis for this proposed regulation is required pursuant to section 4-168a.

A handwritten signature in black ink, appearing to read "Tom B. Leonardi".

Thomas B. Leonardi
Insurance Commissioner

Arsenault, Jon

From: Arsenault, Jon
Sent: Friday, October 05, 2012 3:04 PM
To: 'robin.curley@arbella.com'
Subject: Advance Notice of Regulation Amendment
Attachments: Advance Notice - Credit for Reinsurance Proposed Regulation.pdf; Notice of Intent to Amend Regs, Proposed Reg, Fiscal Note 10-5-12.pdf

Dear Robin Curley,

Please see the attached Advance Notice of Insurance Department Regulation-Making Proceedings and related documents.

Sincerely,

Jon E. Arsenault
General Counsel
Connecticut Insurance Department

Arsenault, Jon

From: Arsenault, Jon
Sent: Friday, October 05, 2012 3:11 PM
To: Robert A. Kehmna
Cc: Belfi, Kathy; Korta, Debra
Subject: Credit for Reinsurance - Proposed Regulation
Attachments: Advance Notice - Credit for Reinsurance Proposed Regulation.pdf; Notice of Intent to Amend Regs, Proposed Reg, Fiscal Note 10-5-12.pdf

Dear Mr. Kehmna,

Please see the attached Advance Notice of Insurance Department Regulation-Making Proceedings and related documents.

Sincerely,

Jon E. Arsenault
General Counsel
Connecticut Insurance Department

Public Comments Received



INSURANCE ASSOCIATION OF CONNECTICUT

SUITE 607 • 21 OAK STREET, HARTFORD, CT 06106 • PHONE (860) 547-0610 • FAX (860) 547-0615

November 20, 2012

Jon E. Arsenault, Esq.
Insurance Department
State of Connecticut
P.O. Box 816
Hartford, CT 06142-0816

Dear Mr. Arsenault:

The Insurance Association of Connecticut (IAC) appreciates the opportunity to comment on the Insurance Department's proposed amendments to regulations concerning credit for reinsurance, published in the Connecticut Law Journal on October 23, 2012.

IAC requests that the second sentence of proposed section 38a-88-4a(a)(4) be amended to read as follows:

"The one year deferral period is contingent upon the certified reinsurer continuing to pay claims in a timely manner in compliance with its contractual obligations as set forth in the reinsurance agreement under which the claims are ceded."

IAC's proposed amendment removes the need for the Insurance Department to determine whether reinsured claims are being paid in the currently undefined "timely manner". Instead, the deferral period will be negated if the reinsurer fails to pay its catastrophe claims pursuant to its previously established contractual commitments. By defining "timely manner", such a clarification will lend greater consistency to the provision's implementation.

It is our understanding that the clear intent of the Insurance Department, and the NAIC's Credit For Reinsurance Model Regulation on which the Department's proposal is based, is that the regulations should operate prospectively. The second sentence of section 38a-88-4a(a)(5) ("Any reinsurance contract entered into . . . date of the amendment or new contract.") is unclear and confusing as to its intent, and appears to conflict with the first sentence of subdivision (5).

In fact, the reference to amendments in the second sentence could actually result in the retroactive application of these regulatory amendments. Please consider the following example:

A ceding company has a claim-free reinsurance contract which incepts in 1972 and terminates in 1973. The reinsurance contract is then amended for any reason in 2013 (e.g. to recognize the name of a new intermediary or a new contact and address for loss notices), after the reinsurer becomes certified. The ceding company then incurs a latent tort loss in 2015 under the reinsurance contract. Under the proposed wording of section 38a-88-4a(a)(5), the latent tort loss would be subject to the reduced collateral provisions since the "loss was incurred and reserves were reported after the effective date of the amendment" of the reinsurance contract. The result is that the ceding company is without the collateral it negotiated and paid for when it placed the contract in 1972.

We therefore request that the second sentence in section 38a-88-4a(4)(5) be amended as follows:

(5) Credit for reinsurance under this section shall apply only to reinsurance contracts entered into or renewed on or after the effective date of the certification of the assuming insurer. Any reinsurance contract entered into prior to the effective date of the certification of the assuming insurer that is subsequently amended after the effective date of the certification of the assuming insurer, or a new reinsurance contract, covering any risk for which collateral was provided previously, shall only be subject to this section with respect to losses [incurred and reserves reported from an] that occurred after the effective date of the amendment or new contract.

By changing the standard from "losses incurred" to "losses that occurred", the regulation will not be subject to retroactive application.

IAC would also request that the proposed wording of section 38a-88-11 be further amended in order to be consistent with section 38a-88-4a and the accounting guidance in SSAP 62R, Property and Casualty Reinsurance, as follows:

Section 38a-88-11 Contracts affected.

All [new and renewal] reinsurance contracts [transactions] entered into or renewed after January 1, 2013 shall conform to the requirements of Public Act No. 12-139 and sections 38a-88-a to 38a-88-10, inclusive, of the Regulations of Connecticut State Agencies if credit is to be given to the ceding insurer for such reinsurance.

Please contact me if you have any questions. Thank you for your consideration.

Sincerely,



Robert A. Kehmna
President

JOSEPH P. GUNSET
General Counsel

November 19, 2012

Via Email

Jon E. Arsenault, Esq.
General Counsel
Connecticut Insurance Department
P.O. Box 816
Hartford, CT 06142-0816

Re: Proposed Update to Regulations Regarding Credit for Reinsurance

Dear Mr. Arsenault:

This comment letter is submitted on behalf of Underwriters at Lloyd's, London ("Lloyd's") in response to the proposed amendment of Connecticut's regulations regarding credit for reinsurance. We appreciate your consideration of these comments.

Lloyd's is one of the largest providers of reinsurance capacity in the world and has had a longstanding commitment to the US which is our largest market for reinsurance. Lloyd's has been advocating for reinsurance collateral reform in the US for over a decade. In our view, credit for reinsurance should be based on the financial strength of the reinsurer and not its nation of domicile.

As you know, the Proposed Rule is based on revisions to the Model Credit for Reinsurance Law and Regulation (the "Revised Models") which were unanimously passed by the Executive and Plenary Committees of the National Association of Insurance Commissioners at its national meeting in November 2011. The Connecticut Insurance Department (the "Department") was of course involved in drafting the Revised Models and securing their passage. The Revised Models represent the culmination of over a decade of deliberation and debate among state insurance regulators with input from both ceding insurers and reinsurers. The language of the Revised Models was carefully crafted to strike a balance between these competing interests. Industry and regulators voiced a number of objections to certain provisions of the Revised Models and changes that they would have liked to see. It is therefore critical that the states rely on the language of the Revised Models when implementing these reforms.

Lloyd's endorsed the Revised Models as we feel strongly that reinsurance collateral modernization is vital in order for the US to maintain its competitive position in the international insurance market. This modernization will be ineffective without uniform adoption of the Revised Models in all states.

Lloyd's applauds the Department's efforts and its commitment to this important reform. Connecticut is a major market for Lloyd's reinsurance and these reforms are both welcome and necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph P. Gunset". The signature is written in a cursive, flowing style.

Cc: Thomas Lenoardi, Connecticut Insurance Commissioner



REINSURANCE ASSOCIATION OF AMERICA

1445 New York Avenue N.W. 7th Floor Washington, DC 20005

Telephone: (202) 638 3690

Facsimile: (202) 638 0936

<http://www.reinsurance.org>

VIA EMAIL

November 20, 2012

Jon Arsenault, Esq.
State of Connecticut Insurance Department
P.O. Box 816
Hartford, CT 06142-0816
E-mail: Jon.Arsenault@po.state.ct.us

Re: Credit for Reinsurance – Proposed New Regulations: 38a-88-1 to 38a-88-4

Dear Mr. Arsenault:

Thank you for the opportunity to provide comments on Connecticut's proposed credit for reinsurance regulations. The RAA believes the regulations are an important part of Connecticut's commitment to regulatory modernization and supports their adoption. The proposed regulations conform to the National Association of Insurance Commissioners' (NAIC) model credit for reinsurance regulation in most respects; however, the RAA suggests the Insurance Department slightly amend the proposed regulations to fully conform to the NAIC model.

The Reinsurance Association of America is the leading trade association of property and casualty reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross border basis. The RAA represents its members before state, federal and international bodies.

The provisions of the regulations are an important and much needed update to Connecticut's reinsurance regulations and provide incentives to financially sound reinsurers to do business in Connecticut. Further, the regulations are critical to the U.S. States' role in the insurance regulatory modernization debate both at the federal level and internationally. In this regard, the RAA applauds the decision to closely track the NAIC Model Credit for Reinsurance Regulation. The benefits of the regulation are most greatly realized if states are able to adopt them in a uniform manner. Many opponents to the concept of collateral reduction are using the state implementation process to raise again arguments that were considered and rejected throughout the NAIC deliberations. As you receive and consider comments from interested parties, the RAA urges you to not accept any recommended changes that materially alter the substance of the NAIC model regulation as unanimously adopted last November or Connecticut Public Act 12-139 enacted this year.

The RAA believes the regulations as proposed in Connecticut should represent the hard fought compromise that was achieved on the model regulation at the NAIC. Significant, substantive deviations from that model could lessen the desired impact of the regulations.

The proposed regulations deviate from the NAIC model in §§ 38a-88-4a (b)(5)(C) and (b)(8)(B). In both instances, the proposed Connecticut regulations add a reference to a certified reinsurer exhibiting qualities or characteristics of a troubled insurer as described in the Connecticut Hazardous Financial Condition regulations. These references are not included in the NAIC model, are unnecessary, and should be deleted. The Commissioner already possesses broad discretion to set security levels for certified reinsurers. In fact, the Commissioner may even use methods and standards similar to those in the Hazardous Financial Condition regulations. However, including specific references to them, particularly in § 38a-88-4a(b)(5)(C) where a rating level increase is mandatory, could unnecessarily complicate the Commissioner's analysis. Because the Hazardous Financial Condition regulations call for a detailed, intensive and subjective analysis, the included references may require additional informational filings that would increase the burden on certified reinsurers and potentially put the Commissioner at odds with the certified reinsurer's domestic regulator. To conform with the Model, Sections (b)(5)(C) and (b)(8)(B) of § 38a-88-4a should be amended as follows:

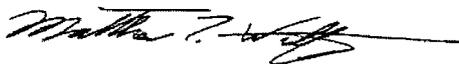
~~(b)(5)(C) should be deleted in its entirety. (C) the certified reinsurer exhibits qualities or characteristics of a troubled insurer as described in sections 389a-8-1-101 to 38a-8-104, inclusive of the Regulations of Connecticut State Agencies, Standards on Hazardous Financial Condition.~~

~~(b)(8)(B) should read – (B) The assuming reinsurer's certification and rating are contingent upon the reinsurer maintaining its current financial condition. Any deterioration, as evidenced by qualities or characteristics of a troubled insurer in accordance with sections 38a-8-101 to 38a-8-104, inclusive, of the Regulation of Connecticut State Agencies, Standards on Hazardous Financial Condition, may result in a change in the reinsurer's rating or revocation or certification. The Commissioner shall ...~~

Deletion of the references as noted above will not substantively alter the Commissioner's ability to properly certify reinsurers, nor will their inclusion substantively enhance that ability.

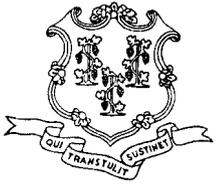
Thank you again for your consideration of these comments. If you have any questions, please contact me.

Sincerely,



Matthew Wulf
Vice President, State Relations
and Assistant General Counsel

Agency Response to Public Comments



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

Via Email

January 17, 2013

Mr. Joseph P. Gunset
General Counsel
Lloyd's America, Inc.
The Museum Office Building
25 West 53rd Street, 1 Floor
New York, NY 10019

Re: Proposed Amendments to Insurance Department's
Regulations Concerning Credit for Reinsurance

Dear Mr. Gunset:

Thank you for your comments submitted on behalf of the Underwriters at Lloyd's, London concerning the proposed amendments to the Insurance Department's credit for reinsurance regulations.

The Insurance Department has carefully considered your comments.

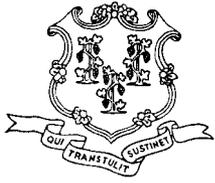
Enclosed for you are the following: the Insurance Department's Statement in Support of the Intention to Proceed with the Adoption of the Proposed Regulation; Discussion of Comments; and a copy of the final proposed text of the regulation. The final proposed regulation will be sent to the Connecticut Attorney General for approval as to legal sufficiency. Once this approval is obtained, the proposed regulation will be submitted to the Joint Legislative Regulation Review Committee of the General Assembly for its approval.

Again, thank you for your comments.

Very truly yours,


Jon E. Arsenault
General Counsel

Enclosures



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

Via Email

January 17, 2013

Mr. Robert A. Kehmna
President
Insurance Association of Connecticut
21 Oak Street, Suite 607
Hartford, CT 06106

Re: Proposed Amendments to Insurance Department's
Regulations Concerning Credit for Reinsurance

Dear Mr. Mr. Kehmna:

Thank you for your comments submitted on behalf of the Insurance Association of Connecticut concerning the proposed amendments to the Insurance Department's credit for reinsurance regulations.

The Insurance Department has carefully considered your comments.

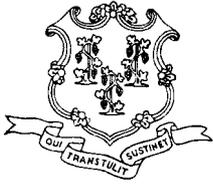
Enclosed for you are the following: the Insurance Department's Statement in Support of the Intention to Proceed with the Adoption of the Proposed Regulation; Discussion of Comments; and a copy of the final proposed text of the regulation. The final proposed regulation will be sent to the Connecticut Attorney General for approval as to legal sufficiency. Once this approval is obtained, the proposed regulation will be submitted to the Joint Legislative Regulation Review Committee of the General Assembly for its approval.

Again, thank you for your comments.

Very truly yours,


Jon E. Arsenault
General Counsel

Enclosures



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

Via Email

January 17, 2013

Mr. Matthew Wulf
Vice President, State Relations
And Assistant General Counsel
Reinsurance Association of America
1445 New York Avenue N.W.
Washington, D.C. 20005

Re: Proposed Amendments to Insurance Department's
Regulations Concerning Credit for Reinsurance

Dear Mr. Wulf:

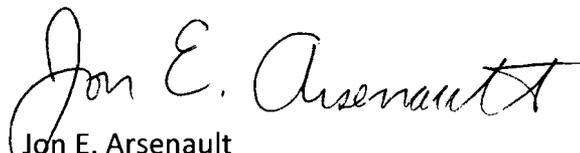
Thank you for your comments submitted on behalf of the Reinsurance Association of America concerning the proposed amendments to the Insurance Department's credit for reinsurance regulations.

The Insurance Department has carefully considered your comments.

Enclosed for you are the following: the Insurance Department's Statement in Support of the Intention to Proceed with the Adoption of the Proposed Regulation; Discussion of Comments; and a copy of the final proposed text of the regulation. The final proposed regulation will be sent to the Connecticut Attorney General for approval as to legal sufficiency. Once this approval is obtained, the proposed regulation will be submitted to the Joint Legislative Regulation Review Committee of the General Assembly for its approval.

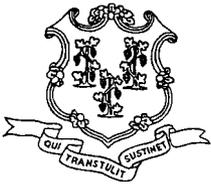
Again, thank you for your comments.

Very truly yours,


Jon E. Arsenault
General Counsel

Enclosures

**Statement in Support of the Intention of the Insurance
Department to Proceed with the Adoption of the Proposed
Regulation**



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Statement in Support of the Intention of the Insurance Department to Proceed with the Adoption of the Proposed Regulation Amending the Insurance Department's Regulations Concerning Credit for Reinsurance

Notice of the Insurance Department's intent to amend regulations was published in the Connecticut Law Journal on October 23, 2012. The Insurance Department received comments from two insurance trade associations and one international insurance market on the proposed regulation. After full consideration of these comments, the Department has determined to alter the text of the proposed regulation and proceed with its adoption.

Notice is hereby given that the following are made available to the public for inspection:

1. The final wording of the proposed regulation
2. A statement of the principal reasons in support of the Department's action; and
3. A statement of the principal considerations in opposition to any action urged in the written comments about the proposed regulation and the Department's reasons for rejecting such considerations.

Copies of the above documents may be obtained by writing to the Insurance Department at the address below, attention Jon E. Arsenault, Esq., or by calling (860) 297-3804.

January 17, 2013