

Insurance and Real Estate Committee JOINT FAVORABLE REPORT

Bill No.: HB-6392

AN ACT CONCERNING THE INSURANCE DEPARTMENT'S

Title: RECOMMENDATIONS REGARDING CREDIT FOR REINSURANCE.

Vote Date: 3/22/2021

Vote Action: Joint Favorable

PH Date: 2/11/2021

File No.:

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SPONSORS OF BILL:

Insurance and Real Estate Committee

REASONS FOR BILL:

This bill will adopt the Insurance Department's recommendations regarding credit for reinsurance.

RESPONSE FROM ADMINISTRATION/AGENCY:

State of Ct Department of Insurance testimony stated The Model Law revisions and the requested legislation would eliminate reinsurance collateral requirements for "reciprocal" reinsurers that have their head office or are domiciled in any of the following: (1) a country that is a member of the European Union (or any other non-U.S. jurisdiction that is subject to an in-force "covered agreement" addressing the elimination of reinsurance collateral with U.S. ceding insurers; (2) a U.S. jurisdiction accredited by the NAIC; (3) a non-U.S. jurisdiction (currently, Bermuda, Japan, Switzerland and the United Kingdom as non-E.U. member countries) recognized as a qualified jurisdiction that meets certain additional requirements consistent with the terms of a "covered agreement". The Covered Agreements require Connecticut and other states to eliminate reinsurance collateral requirements for E.U. reinsurers and U.K. reinsurers that maintain a minimum amount of own funds equivalent to \$250 million and a solvency capital ratio of 100% under Solvency II in order for US insurers that cede risks to them to take credit for such reinsurance on their financial statements. Adoption of the 2019 revisions to the NAIC Credit for Reinsurance Model Law and Model Regulation is required for NAIC Accreditation by September 1, 2022.

NATURE AND SOURCES OF SUPPORT:

American Council of Life Insurers and the Insurance Association of CT Passage of 6392 strengthens and maintains the state-based regulatory structure that Congress so

clearly set forth in the McCarran-Ferguson Act. In conclusion, Connecticut's insurance market is robust, which means insurers need broad access to reinsurers doing business all over the world. By adopting HB 6392, this general assembly would be preserving Connecticut domestic insurers' ability to access reinsurance without the strict collateral requirements. Further, passage of HB 6392 would help the Connecticut Insurance Department maintain accreditation with peer states through the NAIC, thereby upholding a strong state-based regulatory framework.

NATURE AND SOURCES OF OPPOSITION:

None Express

Reported by: Diane Kubeck

Date: March 29, 2021