



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

BULLETIN No. FS-25
March 1, 2013

TO: All Insurers Seeking To Be a Certified Reinsurer

RE: Requirements to Become a Connecticut Certified Reinsurer

The purpose of this Bulletin is to set forth the requirements for an insurer to become a certified reinsurer pursuant to Connecticut's Credit for Reinsurance law, as amended by Public Act No. 12-139 ("Act"), which was effective October 1, 2012.

The Act aligns Conn. Gen. Stat. § 38a-85 and § 38a-85a with the amendments to the Credit for Reinsurance Model Law as adopted by the National Association of Insurance Commissioners ("NAIC") on November 6, 2011. Those revisions included the requirements to be met by an insurer to be certified as a reinsurer in Connecticut.

The Insurance Department has proposed amendments to its credit for reinsurance regulations based on the revised NAIC Credit for Reinsurance Model Regulation. The proposed amended regulations provide the standards by which a reinsurer may be certified as a reinsurer in Connecticut for purposes of insurers taking a credit, as an asset or a deduction from liability for amounts ceded to or assumed by such a reinsurer. The proposed regulations may be viewed online at <http://www.cga.ct.gov/2013/rrdata/pr/2013REG2013-008-RC.PDF>

Insofar as the proposed amended regulations implement existing statutes and more closely reflect the national standard for credit for reinsurance in conformity with the NAIC Model Regulation, the Department is advising that, pending the approval of the proposed amended regulations by the Legislative Regulation Review Committee (LRRC) of the General Assembly and filing the regulations with the Secretary of the State, insurers may seek to take credit for reinsurance ceded in accordance with the Act and the proposed amended regulations. Insurers may also apply to become a certified reinsurer in accordance with the Act and the proposed amended regulations. Because the regulations are pending approval, the Department cannot guarantee what the effective date of the regulations will be nor that the regulations will be approved as submitted. There is always the possibility that the LRRC may require the Department to make changes to the text prior to issuing approval of the regulations. Insurers will be expected to conform to the provisions of the final text of the credit for reinsurance regulations as approved by the LRRC and filed with the Secretary of the State. We recommend that insurers subscribe to the Department website to receive notification when the regulations have been approved and are effective. A copy of the final approved text will be posted on the Department website with the effective date noted.

Conn. Gen. Stat. § 38a-85a (P.A. 12-139 2) provides that to be eligible for certification by the Commissioner as a reinsurer in Connecticut for the purposes of Conn. Gen. Stat. §38a-85, as amended, an assuming insurer shall:

- Be domiciled and licensed to transact insurance or reinsurance in a qualified jurisdiction, as identified by the Commissioner;

- Maintain minimum capital and minimum surplus requirements or their equivalent in an amount prescribed by the Commissioner pursuant to the regulations concerning credit for reinsurance;
- Maintain financial strength ratings from two or more rating agencies that are deemed acceptable by the Commissioner pursuant to the amended regulations concerning credit for reinsurance;
- Agree to submit to the jurisdiction of this state and appoint the Commissioner as its agent for service of process in this state;
- Agree to provide security for one hundred per cent of such insurer's liabilities attributable to reinsurance ceded by domestic and foreign ceding insurers if the assuming insurer resists enforcement of a final judgment entered by a court in this or another state;
- Agree in the trust instrument, if the assuming insurer chooses to secure its obligations incurred under reinsurance agreements issued or renewed as a certified reinsurer in the form of a multi-beneficiary trust, that such assuming insurer shall, upon termination of any trust account of such trust, fund any deficiency of any other trust account of such trust out of the remaining surplus of the trust;
- Agree to meet applicable filing requirements as prescribed by the commissioner; and
- Comply with any other requirements deemed necessary for certification by the Commissioner.

If an applicant for certification has been certified as a reinsurer in a jurisdiction accredited by the National Association of Insurance Commissioners, the Commissioner may certify such applicant as a certified reinsurer in this state and may accept the rating assigned to such certified reinsurer by such jurisdiction.

The proposed amended credit for reinsurance regulations provide more detail relating to the application process to become a certified reinsurer in Connecticut. In addition, attached is a checklist to be used to complete an application. The checklist should be submitted with the application.

Please contact the Insurance Department Financial Regulation Division at 860.297.3814 or ctinsdept.financial@ct.gov with any questions.



Thomas B. Leonardi
Insurance Commissioner

**CONNECTICUT INSURANCE DEPARTMENT
APPLICATION FOR CERTIFIED REINSURER CHECKLIST**

Requirement	Yes/No/NA	Comments
Is the assuming insurer domiciled and licensed to transact insurance or reinsurance in a qualified jurisdiction, as identified by the Commissioner (38a-88-4a(b)(3)(A))?		
Is an originally executed Certification from the company's domestic regulator that the company is in good standing and maintains capital in excess of the jurisdiction's highest regulatory action level part of this application?		
Does the assuming insurer maintain minimum capital and minimum surplus requirements or their equivalent in an amount prescribed by the Commissioner (38a-88-4a(b)(3)(B))?		
<p>For US domiciled assuming insurers – is the independent audit report for the last 3 years part of this application (38a-88-4a(b)(7)(D))?</p> <p>For non-US domiciled assuming insurers – is the audited GAAP or IFRS (including a footnote reconciling equity and net income to US GAAP) for the last 3 years part of this application (38a-88-4a(b)(4)(H))?</p>		
Does the company maintain financial strength ratings from two or more rating agencies that are deemed acceptable by the Commissioner 38a-88-4a(b)(3)(C)?		
Are the rating agencies' press releases and reports part of this application? Each certified reinsurer shall be rated on a legal entity basis, with consideration being given to the group rating where appropriate (38a-88-4a(b)(4)).		
Is a certification describing the assuming insurer's business practices in dealing with its ceded insurers, including compliance with contractual terms and obligations part of this application (38a-88-4a(b)(4)(B))?		
For US domiciled assuming insurers – is the most recent NAIC Annual Statement Blank Schedule F (property/casualty) or Schedule S (life) part of this application? (38a-88-4a(b)(4)(C))?		
For non-US domiciled assuming insurers – is a properly executed Form CR-F (property/casualty) or CR-S (life and health) part of this application? (38a-88-4a(b)(4)(D))?		
Does the application provide us with the liquidation priority of obligations to a ceding insurer in the		

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applicant's domiciliary jurisdiction in the context of an insolvency proceeding? (38a-88-4a(b)(4)(I))		
Has the company participated in any solvent scheme of arrangement, or similar procedure, which involves U.S. ceding insurers (38a-88-4a(b)(J))?		
Is a Certificate of Certified Reinsurer (CR-1 Form), which contains the certified reinsurers corporate seal, included with the application?		
Does the assuming insurer submit to the jurisdiction of Connecticut <u>and</u> appoint the Commissioner as its agent for service of process in Connecticut (38a-88-4a(b)(6))?		
Agree to provide security for one hundred percent of such insurer's liabilities attributable to reinsurance ceded by domestic and foreign ceding insurers if the assuming insurer resists enforcement of a final judgment entered by a court in this or another state		
Does the insurer agree to meet applicable filing requirements as prescribed by the Commissioner (38a-88-4a(7)(A)-(G))?		
Will the applicant comply with other requirements deemed necessary for certification by the Commissioner?		
<p>Reinsurance Contracts must contain the following clauses (refer to regulation for details):</p> <ul style="list-style-type: none"> • Funding Clause (38a-88-4a(e)); • Insolvency Clause (38a-88-10(a)); • Liability to pay covered reinsurance claims shall continue in the event that a life and health insurance guaranty association has made the election to succeed to the rights and obligations of the insolvent insurer(38a-88-10(b)); • Notice of pendency of claim (38a-88-10(c)). 		