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**Insurance Department**

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**§§ 38a-88-1—38a-88-19**

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**Term and Universal Life Insurance Reserve Financing**

## Credit for Reinsurance

## Credit for Reinsurance

### Sec. 38a-88-1. Credit for reinsurance-reinsurer licensed in this state

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

(b) As used in sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies:

(1) "Commissioner" means the Insurance Commissioner of the State of Connecticut;

(2) "Evergreen" means that a letter of credit will be continuously renewed unless the financial institution which issued or confirmed the letter of credit gives advance notice that it will not be renewed when its term expires;

(3) "Liabilities" means the assuming insurer's gross liabilities attributable to reinsurance ceded by U. S. domiciled insurers excluding liabilities that are otherwise secured by acceptable means, and, shall include: (A) For business ceded by domestic insurers authorized to write property and casualty insurance: (i) Losses and allocated loss expenses paid by the ceding insurer, recoverable from the assuming insurer; (ii) Reserves for losses reported and outstanding; (iii) Reserves for losses incurred but not reported; (iv) Reserves for allocated loss expenses; and (v) Unearned premiums; (B) For business ceded by domestic insurers authorized to write life, health and annuity insurance: (i) Aggregate reserves for life policies and contracts net of policy loans and net due and deferred premiums; (ii) Aggregate reserves for accident and health policies; (iii) Deposit funds and other liabilities without life or disability contingencies; and (iv) Liabilities for policy and contract claims;

(4) "NAIC" means the National Association of Insurance Commissioners;

(5) "IFRS" means International Financial Reporting Standards;

(6) "GAAP" means generally accepted accounting principles.

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

### Sec. 38a-88-2. Credit for reinsurance - accredited reinsurers

(a) The Commissioner shall allow credit for reinsurance ceded by a domestic insurer to an assuming insurer which is accredited as a reinsurer in this state as of the date on 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 sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies) 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

(4) Maintains a surplus as regards policyholders in an amount not less than $20,000,000 or obtains 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.

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

**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 38a-85 to 38a-89, inclusive, of the Connecticut General Statutes and 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 sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies) 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 38a-85 to 38a-89, inclusive, of the Connecticut General Statutes and sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies.

(c) Notwithstanding subsection (a) of this section, the Commissioner shall allow credit for reinsurance ceded and assumed to a pooling arrangement that has the following characteristics:

(1) The majority of the pooling members are licensed to transact business in this state;

(2) The members of the pool are subject to several or joint and several liability;

(3) All members of the pool agree to file annually on or before March 1 with the Commissioner a copy of its annual statement filed with the insurance department of its state of domicile; and

(4) The manager of the pool files annually by December 1 with the Commissioner a request to be exempted from the provisions of subsection (a) of this section.

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

**Sec. 38a-88-4. Credit for reinsurance - Reinsurers maintaining trust funds**

(a) The Commissioner shall allow credit for reinsurance ceded by a domestic insurer to an assuming insurer which, as of any date on which statutory financial statement credit for reinsurance is claimed, and thereafter for so long as credit for reinsurance is claimed, maintains a trust fund in an amount prescribed below in a qualified United States financial institution as defined in section 38a-87 of the Connecticut General Statutes, for the payment of the valid claims of its United States domiciled ceding insurers, their assigns and successors in interest. The assuming insurer shall report annually to the Commissioner substantially the same information as that required to be reported on the NAIC annual statement form by licensed insurers, to enable the Commissioner to determine the sufficiency of the trust fund.

(b) The following requirements apply to the following categories of assuming insurer:

(1) The trust fund for a single assuming insurer shall consist of funds in trust in an amount not less than the assuming insurer's liabilities attributable to reinsurance ceded by United States domiciled insurers, and in addition, the assuming insurer shall maintain a trusteed surplus of not less than $20,000,000 except as provided in subdivision (2) of this subsection.

(2) For a trust over which the Commissioner has principal regulatory oversight, at any time after the assuming insurer has permanently discontinued underwriting new business secured by the trust for at least three full years, the Commissioner may authorize a reduction in the required trusteed surplus, but only after a finding, based on an assessment of the risk, that the new required surplus level is adequate for the protection of United States ceding insurers, policyholders and claimants in light of reasonably foreseeable adverse loss development. The risk assessment may involve an actuarial review, including an independent analysis of reserves and cash flows, and shall consider all material risk factors, including when applicable the lines of business involved, the stability of the incurred loss estimates and the effect of the surplus requirements on the assuming insurer's liquidity or solvency. The minimum required trusteed surplus may not be reduced to an amount less than thirty percent of the assuming insurer's liabilities attributable to reinsurance ceded by United States ceding insurers covered by the trust.

(3) (A) The trust fund for a group including incorporated and individual unincorporated underwriters shall consist of:

(i) For reinsurance ceded under reinsurance agreements with an inception, amendment or renewal date on or after January 1, 1993, funds in trust in an amount not less than the respective underwriters' several liabilities attributable to business ceded by United States domiciled ceding insurers to any underwriter of the group;

(ii) For reinsurance ceded under reinsurance agreements with an inception date on or before 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 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 trusteed 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: (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, prepared by independent public accountants, of each underwriter member of the group.

(4) (A) The trust fund for a group of incorporated underwriters 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 trusteed 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 sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies) 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.

(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 an annual certification of each underwriter member's solvency by the member's domiciliary regulators, and financial statements, 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:

(A) The required level of funds held in trust as determined pursuant to section 38a-88-4a(a)(1) of the Regulations of Connecticut State Agencies shall be maintained for all claims arising from reinsurance agreements subject to the trust, including contested claims. Contested claims shall be valid and enforceable out of funds in trust to the extent proof of loss has been submitted and payment from the reinsurer remains unsatisfied 30 days after entry of the final order of any court of competent jurisdiction in the United States.

(B) Legal Title to the assets of the trust shall be vested in the trustee for the benefit of the grantor's United States ceding insurers, their assigns and successors in interest.

(C) The trust shall be subject to examination as determined by the Commissioner.

(D) The trust shall remain in effect for as long as the assuming insurer, or any member or former member of a group of insurers, shall have outstanding obligations under reinsurance agreements subject to the trust.

(E) No later than March 1 of each year the trustee of the trust shall report to the Commissioner in writing setting forth the balance in the trust and listing the trust's investment at the preceding year end and shall certify the date of termination of the trust, if so planned, or certify that the trust shall not expire prior to the next following December 31.

(2) (A) Notwithstanding any other provisions in the trust instrument, if the trust fund is inadequate because it contains an amount less than the amount required by this subsection or if the grantor of the trust has been declared insolvent or placed into receivership, rehabilitation, liquidation or similar proceedings under the laws of its state or country of domicile, the trustee shall comply with an order of the commissioner with regulatory oversight over the trust or with an order of a court of competent jurisdiction directing the trustee to transfer to the commissioner with regulatory oversight over the trust all of the assets of the trust fund.

(B) The assets shall be distributed by and claims shall be filed with and valued by the commissioner with regulatory oversight over the trust in accordance with the laws of the state in which the trust is domiciled applicable to the liquidation of domestic insurance companies.

(C) If the commissioner with regulatory oversight over the trust determines that the assets of the trust fund or any part thereof are not necessary to satisfy the claims of the United

States beneficiaries of the trust, the commissioner with regulatory oversight over the trust shall return the assets, or any part thereof, to the trustee for distribution in accordance with the trust agreement.

(D) The grantor shall waive any right otherwise available to it under United States law that is inconsistent with the provisions of this subsection, including actions seeking repatriation of trust assets for distribution in a non-United States liquidation proceeding.

(d) Assets deposited in trusts established pursuant to section 38a-85 of the Connecticut General Statutes and this section shall be valued according to their current fair market value and shall consist only of cash in United States dollars, certificates of deposit issued by a qualified United States financial institution as defined in section 38a-86(3) of the Connecticut General Statutes, clean, irrevocable, unconditional and "evergreen" letters of credit issued or confirmed by a qualified United States financial institution, as defined in section 38a-86(3) of the Connecticut General Statutes, and investments of the type specified in this subsection, but investments in or issued by an entity controlling, controlled by or under common control with either the grantor or beneficiary of the trust shall not exceed five percent (5%) of total investments. No more than twenty percent (20%) of the total of the investments in the trust may be foreign investments authorized under subparagraph (E) of subdivision (1) of this subsection, subparagraph (B) of subdivision (6) of this subsection, or subdivision (3) or (7) of this subsection, and no more than ten percent (10%) of the total of the investments in the trust may be securities denominated in foreign currencies. For purposes of applying the preceding sentence, a depository receipt denominated in United States dollars and representing rights conferred by a foreign security shall be classified as a foreign investment denominated in a foreign currency. The assets of a trust established to satisfy the requirements of section 38a-85 of the Connecticut General Statutes shall be invested only as follows:

(1) Government obligations that are not in default as to principal or interest, that are valid and legally authorized and that are issued, assumed or guaranteed by: (A) The United States or by any agency or instrumentality of the United States; (B) A state of the United States; (C) A territory, possession or other governmental unit of the United States; (D) An agency or instrumentality of a state, territory, possession or other governmental unit referred to in subparagraph (B) or (C) of this subdivision if the obligations shall be by law (statutory of otherwise) payable, as to both principal and interest, from taxes levied or by law required to be levied or from adequate special revenues pledged or otherwise appropriated or by law required to be provided for making these payments, but shall not be obligations eligible for investment under this subdivision if payable solely out of special assessments on properties benefited by local improvements; or (E) The government of any other country that is a member of the Organization for Economic Cooperation and Development and whose government obligations are rated A or higher, or the equivalent, by a rating agency recognized by the Securities Valuation Office of the NAIC;

(2) Obligations that are issued in the United States, or that are dollar denominated and issued in a non-United States market, by a solvent United States institution (other than an

insurance company) or that are assumed or guaranteed by a solvent United States institution (other than an insurance company) and that are not in default as to principal or interest if the obligations:

(A) Are rated A or higher (or the equivalent) by a securities rating agency recognized by the Securities Valuation Office of the NAIC, or if not so rated, are similar in structure and other material respects to other obligations of the same institution that are so rated;

(B) Are insured by at least one authorized insurer (other than the investing insurer or a parent, subsidiary or affiliate of the investing insurer) licensed to insure obligations in this state and, after considering the insurance, are rated AAA (or the equivalent) by a securities rating agency recognized by the Securities Valuation Office of the NAIC; or

(C) Have been designated as Class One or Class Two by the Securities Valuation Office of the NAIC;

(3) Obligations issued, assumed or guaranteed by a solvent non-United States institution chartered in a country that is a member of the Organization for Economic Cooperation and Development or obligations of United States corporations issued in a non-United States currency, provided that in either case the obligations are rated A or higher, or the equivalent, by a rating agency recognized by the Securities Valuation Office of the NAIC;

(4) An investment made pursuant to the provisions of subdivision (1), (2) or (3) of this subsection shall be subject to the following additional limitations:

(A) An investment in or loan upon the obligations of an institution other than an institution that issues mortgage-related securities shall not exceed five percent (5%) of the assets of the trust;

(B) An investment in any one mortgage-related security shall not exceed five percent (5%) of the assets of the trust;

(C) The aggregate total investment in mortgage-related securities shall not exceed twenty-five percent (25%) of the assets of the trust; and

(D) Preferred or guaranteed shares issued or guaranteed by a solvent United States institution are permissible investments if all of the institution's obligations are eligible as investments under subparagraphs (A) and (C) of subdivision (2) of this subsection, but shall not exceed two percent (2%) of the assets of the trust.

(5) As used in this section:

(A) "Mortgage-related security" means an obligation that is rated AA or higher (or the equivalent) by a securities rating agency recognized by the Securities Valuation Office of the NAIC and that either:

(i) Represents ownership of one or more promissory notes or certificates of interest or participation in the notes (including any rights designed to assure servicing of, or the receipt or timeliness of receipt by the holders of the notes, certificates, or participation of amounts payable under, the notes, certificates or participation), that:

(I) Are directly secured by a first lien on a single parcel of real estate, including stock allocated to a dwelling unit in a residential cooperative housing corporation, upon which is located a dwelling or mixed residential and commercial structure, or on a residential manufactured home as defined in 42 USC Section 5402(6), whether the manufactured home is considered real or personal property under the laws of the state in which it is located; and

(II) Were originated by a savings and loan association, savings bank, commercial bank, credit union, insurance company, or similar institution that is supervised and examined by a federal or state housing authority, or by a mortgagee approved by the Secretary of Housing and Urban Development pursuant to 12 USC Sections 1709 and 1715b, or, where the notes involve a lien on the manufactured home, by an institution or by a financial institution approved for insurance by the Secretary of Housing and Urban Development pursuant to 12 USC Section 1703; or

(ii) Is secured by one or more promissory notes or certificates of deposit or participations in the notes (with or without recourse to the insurer of the notes) and, by its terms, provides for payments of principal in relation to payments, or reasonable projections of payments, or notes meeting the requirements of subclauses (i)(I) and (i)(II) of this subparagraph;

(B) "Promissory note" when used in connection with a manufactured home, shall also include a loan, advance or credit sale as evidenced by a retail installment sales contract or other instrument.

(6) Equity interests

(A) Investments in common shares or partnership interests of a solvent U. S. institution are permissible if:

(i) The institution's obligations and preferred shares, if any, are eligible as investments under this subsection; and

(ii) The equity interests of the institution (except an insurance company) are registered on a national securities exchange as provided in the Securities Exchange Act of 1934, 15 USC Sections 78a to 78kk, inclusive, or otherwise registered pursuant to that Act, and if otherwise registered, price quotations for the equity interests are furnished through a nationwide automated quotations system approved by the Financial Industry Regulatory Authority. A trust shall not invest in equity interests under this subparagraph an amount exceeding one percent (1 %) of the assets of the trust even though the equity interests are not so registered and are not issued by an insurance company;

(B) Investments in common shares of a solvent institution organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development, are permissible if:

(i) All the institution's obligations are rated A or higher, or the equivalent, by a rating agency recognized by the Securities Valuation Office of the NAIC; and

(ii) The equity interests of the institution are registered on a securities exchange regulated by the government of a country that is a member of the Organization for Economic Cooperation and Development;

(C) An investment in or loan upon any one institution's outstanding equity interests shall not exceed one percent (1 %) of the assets of the trust. The cost of an investment in equity interests made pursuant to this subparagraph, when added to the aggregate cost of other investments in equity interests then held pursuant to this subparagraph, shall not exceed ten percent (10%) of the assets in the trust;

(7) Obligations issued, assumed or guaranteed by a multinational development bank, provided the obligations are rated A or higher, or the equivalent, by a rating agency recognized by the Securities Valuation Office of the NAIC.

(8) Investment companies

(A) Securities of an investment company registered pursuant to the Investment Company Act of 1940, 15 USC Sections 80a-1 et seq., are permissible investments if the investment company:

(i) Invests at least ninety percent (90%) of its assets in the types of securities that qualify as an investment under subdivision (1), (2) or (3) of this subsection or invests in securities that are determined by the Commissioner to be substantively similar to the types of securities set forth in subdivisions (1), (2) or (3) of this subsection; or

(ii) Invests at least ninety percent (90%) of its assets in the types of equity interests that qualify as an investment under subparagraph (A) of subdivision (6) of this subsection;

(B) Investments made by a trust in investment companies under this subdivision shall not exceed the following limitations:

(i) An investment in an investment company qualifying under subparagraph (A)(i) of this subdivision shall not exceed ten percent (10%) of the assets in the trust and the aggregate amount of investment in qualifying investment companies shall not exceed twenty-five percent (25%) of the assets in the trust; and

(ii) Investments in an investment company qualifying under subparagraph (A)(ii) of this subdivision shall not exceed five percent (5%) of the assets in the trust and the aggregate amount of investment in qualifying investment companies shall be included when calculating the permissible aggregate value of equity interests pursuant to subparagraph (A) of subdivision (6) of this subsection.

(9) Letters of Credit

(A) In order for a letter of credit to qualify as an asset of the trust, the trustee shall have the right and the obligation pursuant to the deed of trust or some other binding agreement (as duly approved by the Commissioner) to immediately draw down the full amount of the letter of credit and hold the proceeds in trust for the beneficiaries of the trust if the letter of credit will otherwise expire without being renewed or replaced.

(B) The trust agreement shall provide that the trustee shall be liable for damages caused by its own negligence, willful misconduct or lack of good faith, including the failure of the trustee to draw against the letter of credit in circumstances where such draw would be required.

(e) A specific security provided to a ceding insurer by an assuming insurer pursuant to section 38a-88-6 of the Regulations of Connecticut State Agencies shall be applied, until exhausted, to the payment of liabilities of the assuming insurer to the ceding insurer holding the specific security prior to, and as a condition precedent for, presentation of a claim by the ceding insurer for payment by a trustee of a trust established by the assuming insurer pursuant to this section.

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

**Sec. 38a-88-4a. Credit for reinsurance – certified reinsurers**

(a) (1) The Commissioner shall allow credit for reinsurance ceded by a domestic insurer to an assuming insurer that has been certified as a reinsurer in this state at all times for which statutory financial statement credit for reinsurance is claimed under this section. The credit allowed shall be based upon the security held by or on behalf of the ceding insurer in accordance with a rating assigned to the certified reinsurer by the Commissioner. The security shall be in a form consistent with the provisions of sections 38a-85, 38a-85a and 38a-86 of the Connecticut General Statutes, and sections 38a-88-7, 38a-88-8, or 38a-88-9 of the Regulations of Connecticut State Agencies. The amount of security required in order for full credit to be allowed shall correspond with the following requirements:

| Ratings | Security Required |
|---|---|
| Secure – 1 | 0% |
| Secure – 2 | 10% |
| Secure – 3 | 20% |
| Secure – 4 | 50% |
| Secure – 5 | 75% |
| Vulnerable – 6 | 100% |

(2) Affiliated reinsurance transactions shall receive the same opportunity for reduced security requirements as all other reinsurance transactions.

(3) The Commissioner shall require the certified reinsurer to post one hundred percent (100%) security, for the benefit of the ceding insurer or its estate, upon the entry of an order of rehabilitation, liquidation or conservation against the ceding insurer.

(4) In order to facilitate the prompt payment of claims, a certified reinsurer shall not be required to post security for catastrophe recoverables for a period of one year from the date of the first instance of a liability reserve entry by the ceding insurer as a result of a loss from a catastrophic occurrence as recognized by the Commissioner. 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. Reinsurance recoverables for only the following lines of business as reported on the NAIC annual financial statement related specifically to the catastrophic occurrence will be included in the deferral:

(A) Line 1: Fire
(B) Line 2: Allied Lines
(C) Line 3: Farmowners multiple peril
(D) Line 4: Homeowners multiple peril
(E) Line 5: Commercial multiple peril
(F) Line 9: Inland Marine

(G) Line 12: Earthquake

(H) Line 21: Auto physical damage

(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 and after the effective date of the amendment or new contract.

(6) Nothing in this section shall prohibit the parties to a reinsurance agreement from agreeing to provisions establishing security requirements that exceed the minimum security requirements established for certified reinsurers under this section.

(b) **Certification Procedure.**

(1) The Commissioner shall post notice on the Insurance Department's website promptly upon receipt of any application for certification, including instructions on how members of the public may respond to the application. The Commissioner shall not take final action on the application until at least thirty (30) days after posting the notice required by this subdivision.

(2) The Commissioner shall issue written notice to an assuming insurer that has made application and been approved as a certified reinsurer. Included in such notice shall be the rating assigned the certified reinsurer pursuant to subsection (a)(1) of this section. The Commissioner shall publish a list of all certified reinsurers and their ratings.

(3) In order to be eligible for certification, the assuming insurer shall meet the following requirements:

(A) The assuming insurer shall be domiciled and licensed to transact insurance or reinsurance in a Qualified Jurisdiction, as determined by the Commissioner pursuant to subsection (c) of this section.

(B) The assuming insurer shall maintain capital and surplus, or its equivalent, of no less than $250,000,000 determined in accordance with subdivision (4)(H) of this subsection. This requirement may also be satisfied by a group including incorporated and individual unincorporated underwriters having minimum capital and surplus equivalents (net of liabilities) of at least $250,000,000 and a central fund containing a balance of at least $250,000,000.

(C) The assuming insurer shall maintain financial strength ratings from two or more rating agencies deemed acceptable by the Commissioner. These ratings shall be based on interactive communication between the rating agency and the assuming insurer and shall not be based solely on publicly available information. These financial strength ratings will be one factor used by the Commissioner in determining the rating that is assigned to the assuming insurer. Acceptable rating agencies include the following:

(i) Standard & Poor's;

(ii) Moody's Investors Service;
(iii) Fitch Ratings;
(iv) A.M. Best Company; or
(v) Any other Nationally Recognized Statistical Rating Organization.
(D) The certified reinsurer shall comply with any other requirements reasonably imposed by the Commissioner as necessary or appropriate for the protection of the policyholders of the ceding insurer or in the public interest.
(4) Each certified reinsurer shall be rated on a legal entity basis, with due consideration being given to the group rating where appropriate, except that a group including incorporated and individual unincorporated underwriters that has been approved to do business as a single certified reinsurer may be evaluated on the basis of its group rating. Factors that may be considered as part of the evaluation process include the following:

(A) The certified reinsurer's financial strength rating from an acceptable rating agency. The maximum rating that a certified reinsurer may be assigned will correspond to its financial strength rating as outlined in the table below. The Commissioner shall use the lowest financial strength rating received from an approved rating agency in establishing the maximum rating of a certified reinsurer. A failure to obtain or maintain at least two financial strength ratings from acceptable rating agencies will result in loss of eligibility for certification;

| Ratings | Best | S&P | Moody's | Fitch |
|---|---|---|---|---|
| Secure – 1 | A++ | AAA | Aaa | AAA |
| Secure – 2 | A+ | AA+, AA, AA- | Aa1, Aa2, Aa3 | AA+, AA, AA- |
| Secure – 3 | A | A+, A | A1, A2 | A+, A |
| Secure – 4 | A- | A- | A3 | A- |
| Secure – 5 | B++, B+ | BBB+, BBB, BBB- | Baa1, Baa2, Baa3 | BBB+, BBB, BBB- |
| Vulnerable – 6 | B, B-C++, C+, C, C-, D, E, F | BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R | Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C | BB+, BB, BB-, B+, B, B-, CCC+, CC, CCC-, DD |

(B) The business practices of the certified reinsurer in dealing with its ceding insurers, including its compliance with reinsurance contractual terms and obligations;
(C) For certified reinsurers domiciled in the United States, a review of the most recent applicable NAIC Annual Statement Blank, either Schedule F (for property/casualty reinsurers) or Schedule S (for life and health reinsurers);
(D) For certified reinsurers not domiciled in the United States, a review annually of Form CR-F (for property/casualty reinsurers)(Appendix C of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies) or Form CR-S (for life and health reinsurers)(Appendix D of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies);

(E) The reputation of the certified reinsurer for prompt payment of claims under reinsurance agreements, based on an analysis of ceding insurers' Schedule F reporting of overdue reinsurance recoverables, including the proportion of obligations that are more than 90 days past due or are in dispute, with specific attention given to obligations payable to companies that are in administrative supervision or receivership;

(F) Regulatory actions against the certified reinsurer;

(G) The report of the independent auditor on the financial statements of the insurance enterprise, on the basis described in subdivision (4)(H) of this subsection;

(H) For certified reinsurers not domiciled in the United States, audited financial statements, (audited United States GAAP basis if available, audited IFRS basis statements are allowed but shall include an audited footnote reconciling equity and net income to a United States GAAP basis, or, with the permission of the Commissioner, audited IFRS statements with reconciliation to United States GAAP certified by an officer of the company), regulatory filings, and actuarial opinion (as filed with the non-United States jurisdiction supervisor). Upon the initial application for certification, the Commissioner will consider audited financial statements for the last 3 years filed with its non-United States jurisdiction supervisor;

(I) The liquidation priority of obligations to a ceding insurer in the certified reinsurer's domiciliary jurisdiction in the context of an insolvency proceeding;

(J) A certified reinsurer's participation in any solvent scheme of arrangement, or similar procedure, which involves United States ceding insurers. The Commissioner shall receive prior notice from a certified reinsurer that proposes participation by the certified reinsurer in a solvent scheme of arrangement; and

(K) Any other information deemed relevant by the Commissioner as necessary or appropriate for the protection of the policyholders of the ceding insurer or in the public interest.

(5) Based on the analysis conducted under subdivision (4)(E) of this subsection of a certified reinsurer's reputation for prompt payment of claims, the Commissioner may make appropriate adjustments in the security the certified reinsurer is required to post to protect its liabilities to United States ceding insurers, provided that the Commissioner shall, at a minimum, increase the security the certified reinsurer is required to post by one rating level under subsection (b)(4)(A) of this section if the Commissioner finds that:

(A) more than 15% of the certified reinsurer's ceding insurance clients have overdue reinsurance recoverables on paid losses of 90 days or more which are not in dispute and which exceed $100,000 for each cedent;

(B) the aggregate amount of reinsurance recoverables on paid losses which are not in dispute that are overdue by 90 days or more exceeds $50,000,000; or

(C) the certified reinsurer exhibits qualities or characteristics of a troubled insurer as described in sections 38a-8-101 to 38a-8-104, inclusive, of the Regulations of Connecticut State Agencies.

(6) The assuming insurer shall submit a properly executed Form CR-1 (Appendix B of

sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies) as evidence of its submission to the jurisdiction of this state, appointment of the Commissioner as an agent for service of process in this state, and agreement to provide security for one hundred percent (100%) of the assuming insurer's liabilities attributable to reinsurance ceded by United States ceding insurers if it resists enforcement of a final U.S. judgment. The Commissioner shall not certify any assuming insurer that is domiciled in a jurisdiction that the Commissioner has determined does not adequately and promptly enforce final U.S. judgments or arbitration awards.

(7) The certified reinsurer shall agree to meet applicable information filing requirements as determined by the Commissioner, both with respect to an initial application for certification and on an ongoing basis, and indicate in writing those portions of its filings that it believes are exempt from disclosure pursuant to section 1-210(b)(5) of the Connecticut General Statutes. The applicable information filing requirements are, as follows:

(A) Notification not later than 10 days after any regulatory actions taken against the certified reinsurer, any change in the provisions of its domiciliary license or any change in rating by an approved rating agency, including a statement describing such changes and the reasons therefor;

(B) Annually, Form CR-F (Appendix C of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies) or Form CR-S (Appendix D of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies), as applicable;

(C) Annually, the report of the independent auditor on the financial statements of the insurance enterprise, on the basis described in subparagraph (D) of this subdivision;

(D) Annually, audited financial statements (audited United States GAAP basis if available, audited IFRS basis statements are allowed but shall include an audited footnote reconciling equity and net income to a United States GAAP basis, or, with the permission of the Commissioner, audited IFRS statements with reconciliation to United States GAAP certified by an officer of the company), regulatory filings, and actuarial opinion (as filed with the certified reinsurer's supervisor). Upon the initial certification, audited financial statements for the last 3 years filed with the certified reinsurer's supervisor;

(E) At least annually, an updated list of all disputed and overdue reinsurance claims regarding reinsurance assumed from United States domestic ceding insurers;

(F) A certification from the certified reinsurer's domestic regulator that the certified reinsurer is in good standing and maintains capital in excess of the jurisdiction's highest regulatory action level; and

(G) Any other information that the Commissioner may reasonably require as necessary or appropriate for the protection of the policyholders of the ceding insurer or in the public interest.

(8) Change in Rating or Revocation of Certification.

(A) In the case of a downgrade by a rating agency or other disqualifying circumstance, the Commissioner shall upon written notice assign a new rating to the certified reinsurer in accordance with the requirements of subdivision (4)(A) of this subsection.

(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 Regulations of Connecticut State Agencies, may result in a change in the reinsurer's rating or revocation or certification. The Commissioner shall have the authority to suspend or revoke a certified reinsurer's certification at any time if the certified reinsurer fails to meet its obligations or security requirements under this section, or if other financial or operating results of the certified reinsurer, or documented significant delays in payment by the certified reinsurer, lead the Commissioner to reconsider the certified reinsurer's ability or willingness to meet its contractual obligations.

(C) If the rating of a certified reinsurer is upgraded by the Commissioner, the certified reinsurer may meet the security requirements applicable to its new rating on a prospective basis, but the Commissioner shall require the certified reinsurer to post security under the previously applicable security requirements as to all contracts in force on or before the effective date of the upgraded rating. If the rating of a certified reinsurer is downgraded by the Commissioner, the Commissioner shall require the certified reinsurer to meet the security requirements applicable to its new rating for all business it has assumed as a certified reinsurer.

(D) Upon revocation of the certification of a certified reinsurer by the Commissioner, the assuming insurer shall be required to post security in accordance with section 38a-88-6 of the Regulations of Connecticut State Agencies in order for the ceding insurer to continue to take credit for reinsurance ceded to the assuming insurer. If funds continue to be held in trust in accordance with section 38a-88-4 of the Regulations of Connecticut State Agencies, the Commissioner may allow additional credit equal to the ceding insurer's *pro rata* share of such funds, discounted to reflect the risk of uncollectibility and anticipated expenses of trust administration. Notwithstanding the change of a certified reinsurer's rating or revocation of its certification, a domestic insurer that has ceded reinsurance to that certified reinsurer may not be denied credit for reinsurance for a period of three months for all reinsurance ceded to that certified reinsurer, unless the reinsurance is found by the Commissioner to be at high risk of uncollectibility.

(c) **Qualified Jurisdictions.**

(1) If, upon conducting an evaluation under this section with respect to the reinsurance supervisory system of any non-United States assuming insurer, the Commissioner determines that the jurisdiction qualifies to be recognized as a qualified jurisdiction, the Commissioner shall publish notice and evidence of such recognition in an appropriate manner. The Commissioner may establish a procedure to withdraw recognition of those jurisdictions that are no longer qualified.

(2) In order to determine whether the domiciliary jurisdiction of a non-Unites States assuming insurer is eligible to be recognized as a qualified jurisdiction, the Commissioner

shall evaluate the reinsurance supervisory system of the non-United States jurisdiction, both initially and on an ongoing basis, and consider the rights, benefits and the extent of reciprocal recognition afforded by the non-United States jurisdiction to reinsurers licensed and domiciled in the United States. The Commissioner shall determine the appropriate approach for evaluating the qualifications of such jurisdictions, and create and publish a list of jurisdictions whose reinsurers may be approved by the Commissioner as eligible for certification. A qualified jurisdiction shall agree to share information and cooperate with the Commissioner with respect to all certified reinsurers domiciled within that jurisdiction. Additional factors to be considered in determining whether to recognize a qualified jurisdiction, in the discretion of the Commissioner, include the following:

(A) The framework under which the assuming insurer is regulated.

(B) The structure and authority of the domiciliary regulator with regard to solvency regulation requirements and financial surveillance.

(C) The substance of financial and operating standards for assuming insurers in the domiciliary jurisdiction.

(D) The form and substance of financial reports required to be filed or made publicly available by reinsurers in the domiciliary jurisdiction and the accounting principles used.

(E) The domiciliary regulator's willingness to cooperate with United States regulators in general and the Commissioner in particular.

(F) The history of performance by assuming insurers in the domiciliary jurisdiction.

(G) Any documented evidence of substantial problems with the enforcement of final United States judgments in the domiciliary jurisdiction. A jurisdiction will not be considered to be a qualified jurisdiction if the Commissioner has determined that it does not adequately and promptly enforce final United States judgments or arbitration awards.

(H) Any relevant international standards or guidance with respect to mutual recognition of reinsurance supervision adopted by the International Association of Insurance Supervisors or successor organization.

(I) Any other matters deemed relevant by the Commissioner for the evaluation of the appropriateness and effectiveness of the reinsurance supervisory system within the non-United States jurisdiction.

(3) If the NAIC publishes a list of qualified jurisdictions, the Commissioner shall consider this list in determining qualified jurisdictions. If the Commissioner approves a jurisdiction as qualified that does not appear on the list of qualified jurisdictions, the Commissioner shall provide thoroughly documented justification with respect to the criteria provided under subdivisions (2)(A) to (I), inclusive, of this subsection.

(4) United States jurisdictions that meet the requirements for accreditation under the NAIC financial standards and accreditation program shall be recognized as qualified jurisdictions.

(d) **Recognition of Certification Issued by an NAIC Accredited Jurisdiction.**

(1) If an applicant for certification has been certified as a reinsurer in an NAIC accredited jurisdiction, the Commissioner has the discretion to defer to that jurisdiction's certification,

and to defer to the rating assigned by that jurisdiction, if the assuming insurer submits a properly executed Form CR-1 (Appendix B of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies) and such additional information as the Commissioner requires. The assuming insurer shall be considered to be a certified reinsurer in this state.

(2) Any change in the certified reinsurer's status or rating in the other jurisdiction shall apply automatically in this State as of the date it takes effect in the other jurisdiction. The certified reinsurer shall notify the Commissioner of any change in its status or rating not later than 10 days after receiving notice of the change.

(3) The Commissioner may withdraw recognition of the other jurisdiction's rating at any time and assign a new rating pursuant to the provisions of this section.

(4) The Commissioner may withdraw recognition of the other jurisdiction's certification at any time, with written notice to the certified reinsurer. Unless the Commissioner suspends or revokes the certified reinsurer's certification pursuant to subdivision (8)(B) of subsection (b) of this section, the certified reinsurer's certification shall remain in good standing in this State for a period of three months, which shall be extended if additional time is necessary to consider the assuming insurer's application for certification in this State.

(e) **Mandatory Funding Clause.** In addition to the clauses required under section 38a-88-10 of the Regulations of Connecticut State Agencies, reinsurance contracts entered into or renewed under this section shall include a proper funding clause, which requires the certified reinsurer to provide and maintain security in an amount sufficient to avoid the imposition of any financial statement penalty on the ceding insurer under this section for reinsurance ceded to the certified reinsurer.

(f) The Commissioner shall comply with all reporting and notification requirements that may be established by the NAIC with respect to certified reinsurers and qualified jurisdictions.

(Effective August 6, 2013)

**Sec. 38a-88-5. Credit for reinsurance required by law**

Pursuant to section 38a-85(g) of the Connecticut General Statutes, the Commissioner shall allow credit for reinsurance ceded by a domestic insurer to an assuming insurer not meeting the requirements of Subsections (b), (c), (d), (e) or (f) of section 38a-85 of the Connecticut General Statutes, but only as to the insurance of risks located in jurisdictions where the reinsurance is required by the applicable law or regulation of that jurisdiction. As used in this Section, "jurisdiction" means any state, district or territory of the United States and any lawful national government.

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

**Sec. 38a-88-6. Credit for an asset or reduction from liability for reinsurance ceded to an unauthorized assuming insurer**

(a) Pursuant to section 38a-86 of the Connecticut General Statutes, the Commissioner shall allow a credit for an asset or a reduction from liability for reinsurance ceded by a domestic insurer to an assuming insurer not meeting the requirements of section 38a-85 of the Connecticut General Statutes in an amount not exceeding the liabilities carried by the ceding insurer. The credit or reduction shall be in the amount of funds held by or on behalf of the ceding insurer, including funds held in trust for the exclusive benefit of the ceding insurer, under a reinsurance contract with such assuming insurer as security for the payment of obligations under the reinsurance contract. The security shall be held in the United States subject to withdrawal solely by, and under the exclusive control of, the ceding insurer or, in the case of a trust, held in a qualified United States financial institution as defined in section 38a-87 of the Connecticut General Statutes. This security may be in the form of any of the following:

(1) cash;

(2) securities listed by the Securities Valuation Office of the NAIC, including those deemed exempt from filing as defined by the Purposes and Procedures Manual of the Securities Valuation Office, and qualifying as admitted assets;

(3) clean, irrevocable, unconditional and “evergreen” letters of credit issued or confirmed by a qualified United States institution, as defined in section 38a-86(3) of the Connecticut General Statutes, effective no later than December 31 of the year for which filing is being made, and in the possession of, or in trust for, the ceding insurer on or before the filing date of its annual statement. Letters of credit meeting applicable standards of issuer acceptability as of the dates of their issuance (or confirmation) shall, notwithstanding the issuing (or confirming) institution’s subsequent failure to meet applicable standards of issuer acceptability continue to be acceptable as security until their expiration, extension, renewal, modification or amendment, whichever first occurs;

(4) Any other form of security acceptable to the Commissioner.

(b) An admitted asset or a reduction from liability for reinsurance ceded to an unauthorized assuming insurer pursuant to this section shall be allowed only when the requirements of section 38a-88-10 of the Regulations of Connecticut State Agencies and the applicable portions of sections 38a-88-7, 38a-88-8 and 38a-88-9 of the Regulations of Connecticut State Agencies have been satisfied.

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

**Sec. 38a-88-7. Trust agreements used to qualify for reduction from liability for reinsurance ceded to an unauthorized assuming insurer**

(a) **As used in this section:**

(1) “Beneficiary” means the entity for whose sole benefit the trust has been established and any successor of the beneficiary by operation of law, including without limitation any liquidator, rehabilitator, receiver or conservator. When established in conjunction with a reinsurance agreement the beneficiary is the licensed ceding insurer.

(2) “Grantor” means the entity that has established a trust for the sole benefit of the beneficiary. When established in conjunction with a reinsurance agreement, the grantor is

the unlicensed, unaccredited assuming insurer.

(3) "Obligations," as used in subsection (b)(11) of this section, means:

(A) Reinsurance losses and allocated loss expenses paid by the ceding company, but not recovered from the assuming insurer;

(B) Reserves for reinsured losses reported and outstanding;

(C) Reserves for reinsured losses incurred but not reported; and

(D) Reserves for allocated reinsured loss expenses and unearned premiums.

(b) **Required conditions for trust agreements qualified under Section 38a-88-6 of the Regulations of Connecticut State Agencies.**

(1) The trust agreement shall be entered into between the beneficiary, the grantor and a trustee which shall be a qualified United States financial institution as defined in section 38a-87 of the Connecticut General Statutes.

(2) The trust agreement shall create a trust account into which assets shall be deposited.

(3) All assets in the trust account shall be held by the trustee at the trustee's office in the United States.

(4) The trust agreement shall provide that:

(A) The beneficiary shall have the right to withdraw assets from the trust account at any time, without notice to the grantor, subject only to written notice from the beneficiary to the trustee;

(B) no other statement or document is required to be represented in order to withdraw assets, except that the beneficiary may be required to acknowledge receipt of withdrawn assets;

(C) it is not subject to any conditions or qualifications outside of the trust agreement; and

(D) it shall not contain references to any other agreements or documents except as provided for under subdivisions (11) and (12) of this subsection.

(5) The trust agreement shall be established for the sole benefit of the beneficiary.

(6) The trust agreement shall require the trustee to:

(A) receive assets and hold all assets in a safe place;

(B) determine that all assets are in such form that the beneficiary, or the trustee upon direction by the beneficiary, may whenever necessary negotiate any such assets, without consent or signature from the grantor or any other person or entity;

(C) furnish to the grantor and the beneficiary a statement of all assets in the trust account upon its inception and at intervals no less frequent than the end of each calendar quarter;

(D) notify the grantor and the beneficiary, within ten (10) days, of any deposits to or withdrawals from the trust account;

(E) upon written demand of the beneficiary, immediately take any and all steps necessary to transfer absolutely and unequivocally all right, title and interest in the assets held in the trust account to the beneficiary and deliver physical custody of such assets to such beneficiary; and

(F) allow no substitutions or withdrawals of assets from the trust account, except on written instructions from the beneficiary, except that the trustee may, without the consent of but with notice to the beneficiary, upon call or maturity of any trust asset, withdraw such asset upon condition that the proceeds are paid into the trust account.

(7) The trust agreement shall provide that at least thirty (30) days, but not more than forty-five (45) days, prior to termination of the trust account, written notification of termination shall be delivered by the trustee to the beneficiary.

(8) The trust agreement shall be made subject to and governed by the laws of the state in which the trust is established.

(9) The trust agreement shall prohibit invasion of the trust corpus for the purpose of paying compensation to, or reimbursing the expenses of, the trustee. In order for a letter of credit to qualify as an asset of the trust, the trustee shall have the right and the obligation pursuant to the deed of trust or some other binding agreement (as duly approved by the Commissioner) to immediately draw down the full amount of the letter of credit and hold the proceeds in trust for the beneficiaries of the trust if the letter of credit will otherwise expire without being renewed or replaced.

(10) The trust agreement shall provide that the trustee shall be liable for damages caused by its own negligence, willful misconduct or lack of good faith, including the failure of the trustee to draw against the letter of credit in circumstances where such draw would be required.

(11) Notwithstanding other provisions of sections 38a-88-1 to 38a-88-11, inclusive, of the Regulations of Connecticut State Agencies, when a trust agreement is established in conjunction with a reinsurance agreement covering risks other than life, annuities and accident and health, where it is customary practice to provide a trust agreement for a specific purpose, the trust agreement may provide that the ceding insurer shall undertake to use and apply amounts drawn upon the trust account, without diminution because of the insolvency of the ceding insurer or the assuming insurer, for the following purposes:

(A) to pay or reimburse the ceding insurer for the assuming insurer's share under the specific reinsurance agreement regarding any losses and allocated loss expenses paid by the ceding insurer, but not recovered from the assuming insurer, or for unearned premiums due to the ceding insurer if not otherwise paid by the assuming insurer;

(B) to make payment to the assuming insurer of any amounts held in the trust account that exceed 102 percent of the actual amount required to fund the assuming insurer's "obligations" under the specific reinsurance agreement; or

(C) where the ceding insurer has received notification of termination of the trust account and where the assuming insurer's entire "obligations" under the specific reinsurance agreement remain unliquidated and undischarged ten (10) days prior to such termination date, to withdraw amounts equal to such obligations and deposit such amounts in a separate account, in the name of the ceding insurer in any qualified United States financial institution as defined in section 38a-87 of the Connecticut General Statutes apart from its general assets, in trust for such uses and purposes specified in subparagraphs (A) and (B) of this subdivision, as may remain executory after such withdrawal and for any period after such termination date.

(12) Notwithstanding other provisions of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies, when a trust agreement is established to meet the requirements of section 38a-88-6 of the Regulations of Connecticut State Agencies in conjunction with a reinsurance agreement covering life, annuities or accident and health risks, where it is customary to provide a trust agreement for a specific purpose, the trust agreement may provide that the ceding insurer shall undertake to use and apply amounts drawn upon the trust account, without diminution because of the insolvency of the ceding insurer or the assuming insurer, only for the following purposes:

(A) To pay or reimburse the ceding insurer for:

(i) The assuming insurer's share under the specific reinsurance agreement of premiums returned, but not yet recovered from the assuming insurer, to the owners of policies reinsured under the reinsurance agreement on account of cancellations of the policies; and

(ii) The assuming insurer's share under the specific reinsurance agreement of surrenders and benefits or losses paid by the ceding insurer, but not yet recovered from the assuming insurer, under the terms and provisions of the policies reinsured under the reinsurance agreement;

(B) To pay to the assuming insurer amounts held in the trust account in excess of the amount necessary to secure the credit or reduction from liability for reinsurance taken by the ceding insurer; or

(C) Where the ceding insurer has received notification of termination of the trust and where the assuming insurer's entire obligations under the specific reinsurance agreement remain unliquidated and undischarged ten (10) days prior to the termination date, to withdraw amounts equal to the assuming insurer's share of liabilities, to the extent that the liabilities have not yet been funded by the assuming insurer, and deposit those amounts in a separate account, in the name of the ceding insurer in any qualified United States financial institution apart from its general assets, in trust for the uses and purposes specified in subparagraphs (A) and (B) of this subdivision as may remain executory after withdrawal and for any period after the termination date.

(13) Either the reinsurance agreement or the trust agreement shall stipulate that assets deposited in the trust account shall be valued according to their current fair market value and shall consist only of cash in United States dollars, certificates of deposit issued by a United States bank and payable in United States dollars, and investments permitted by the provisions of Title 38a of the Connecticut General Statutes, or any combination thereof, provided investments in or issued by an entity controlling, controlled by or under common control with either the grantor or the beneficiary of the trust shall not exceed five percent (5%) of total investments. The agreement may further specify the types of investments to be deposited. If the reinsurance agreement covers life, annuities or accident and health risks, then the provisions required by this paragraph shall be included in the reinsurance agreement.

(c) **Permitted conditions for trust agreements qualified under Section 38a-88-6 of the Regulations of Connecticut State Agencies.**

(1) The trust agreement may provide that the trustee may resign upon delivery of a written notice of resignation, effective not less than ninety (90) days after the beneficiary and grantor receive the notice and that the trustee may be removed by the grantor by delivery to the trustee and the beneficiary of a written notice of removal, effective not less than 90 days after the trustee and the beneficiary receive the notice, provided that no such resignation or removal shall be effective until a successor trustee has been duly appointed and approved by the beneficiary and the grantor and all assets in the trust have been duly transferred to the new trustee.

(2) The grantor may have the full and unqualified right to vote any shares of stock in the trust account and to receive from time to time payments of any dividends or interest upon any shares of stock or obligations included in the trust account. Any such interest or dividends shall be either forwarded promptly upon receipt to the grantor or deposited in a separate account established in the grantor's name.

(3) The trustee may be given authority to invest, and accept substitutions of any funds in the account, provided that no investment or substitution shall be made without prior approval of the beneficiary, unless the trust agreement specifies categories of investments acceptable to the beneficiary and authorizes the trustee to invest such funds and to accept such substitutions which the trustee determines are at least equal in current fair market value to the assets withdrawn and that are consistent with the restrictions in subsection (b)(13) of this section.

(4) The trust agreement may provide that the beneficiary may at any time designate a party to which all or part of the trust assets are to be transferred. Such transfer may be conditioned upon the trustee receiving, prior to or simultaneously, other specified assets.

(5) The trust agreement may provide that, upon termination of the trust account, all assets not previously withdrawn by the beneficiary shall, with written approval by the beneficiary, be delivered over to the grantor.

(d) **Additional conditions applicable to reinsurance agreements.**

(1) A reinsurance agreement may contain provisions that:

(A) require the assuming insurer to enter into a trust agreement and to establish a trust account for the benefit of the ceding insurer, and specifying what such agreement is to cover;

(B) require the assuming insurer, prior to depositing assets with the trustee, to execute assignments, endorsements in blank, or transfer legal title to the trustee of all shares, obligations or any other assets requiring assignments, in order that the ceding insurer, or the trustee upon the direction of the ceding insurer, may whenever necessary negotiate any such assets without consent or signature from the assuming insurer or any other entity;

(C) require that all settlements of account between the ceding insurer and the assuming insurer be made in cash or its equivalent; and

(D) stipulate that the assuming insurer and the ceding insurer agree that the assets in the trust account, established pursuant to the provisions of the reinsurance agreement, may be withdrawn by the ceding insurer at any time, notwithstanding any other provisions in the reinsurance agreement, and shall be utilized and applied by the ceding insurer or its successors in interest by operation of law, including without limitation any liquidator, rehabilitator, receiver or conservator of such company, without diminution because of insolvency on the part of the ceding insurer or the assuming insurer, only for the following purposes:

(i) To pay or reimburse the ceding insurer for: (I) the assuming insurer's share under the specific reinsurance agreement of premiums returned, but not yet recovered from the assuming insurer, to the owners of policies reinsured under the reinsurance agreement because of cancellations of such policies;

(II) the assuming insurer's share of surrenders and benefits or losses paid by the ceding insurer pursuant to the provisions of the policies reinsured under the reinsurance agreement; and

(III) any other amounts necessary to secure the credit or reduction from liability for reinsurance taken by the ceding insurer.

(ii) To make payment to the assuming insurer of amounts held in the trust account in excess of the amount necessary to secure the credit or reduction from liability for reinsurance taken by the ceding insurer.

(2) The reinsurance agreement may also contain provisions that:

(A) give the assuming insurer the right to seek approval from the ceding insurer, which shall not be unreasonably or arbitrarily withheld, to withdraw from the trust account all or any part of the trust assets and transfer those assets to the assuming insurer, provided:

(i) the assuming insurer shall, at the time of such withdrawal, replace the withdrawn assets with other qualified assets having a current fair market value equal to the market value of the assets withdrawn so as to maintain at all times the deposit in the required amount, or

(ii) after such withdrawal and transfer, the current fair market value of the trust account is no less than 102 percent of the required amount. The ceding insurer shall not unreasonably or arbitrarily withhold its approval.

(B) provide for the return of any amount withdrawn in excess of the actual amounts required for subparagraph (D) of subdivision (1) of this subsection, and for interest payments at a rate not in excess of the prime rate of interest on such amounts;

(C) permit the award by any arbitration panel or court of competent jurisdiction of:

(i) interest at a rate different from that provided in subparagraph (B) of subdivision (2) of this subsection;

(ii) court or arbitration costs;

(iii) attorney's fees; and

(iv) any other reasonable expenses.

(3) Financial reporting. A trust agreement may be used to reduce any liability for reinsurance ceded to an unauthorized assuming insurer in financial statements required to be filed with this Department in compliance with the provisions of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies when established on or before the date of filing of the financial statement of the ceding insurer. Further, the

reduction for the existence of an acceptable trust account may be up to the current fair market value of acceptable assets available to be withdrawn from the trust account at that time, but such reduction shall be no greater than the specific obligations under the reinsurance agreement that the trust account was established to secure.

(4) Existing agreements. Notwithstanding the effective date of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies, any trust agreement or underlying reinsurance agreement in existence prior to July 1, 1991 will continue to be acceptable until June 30, 1992, at which time the agreements will have to be in full compliance with sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies for the trust agreement to be acceptable.

(5) The failure of any trust agreement to specifically identify the beneficiary as defined in subsection (a) of this section shall not be construed to affect any actions or rights which the Commissioner may take or possess pursuant to the provisions of the laws of this state.

(Effective November 26, 1991; Amended July 7, 2004; Amended May 30, 2007; Amended August 6, 2013)

**Sec. 38a-88-8. Letters of credit used to qualify for reduction from liability for reinsurance ceded to an unauthorized assuming insurer**

(a) The letter of credit shall be clean, irrevocable, unconditional and issued or confirmed by a qualified United States financial institution as defined in section 38a-86(3) of the Connecticut General Statutes. The letter of credit shall contain an issue date and expiration date and shall stipulate that the beneficiary need only draw a sight draft under the letter of credit and present it to obtain funds and that no other document need be presented. The letter of credit shall also indicate that it is not subject to any condition or qualifications outside of the letter of credit. In addition, the letter of credit itself shall not contain reference to any other agreements, documents or entities, except as provided in subsection (h)(1) of this section. As used in this section, “beneficiary” means the domestic insurer for whose benefit the letter of credit has been established and any successor of the beneficiary by operation of law. If a court of law appoints a successor in interest to the named beneficiary, then the named beneficiary includes and is limited to the court appointed domiciliary receiver (including conservator, rehabilitator or liquidator).

(b) The heading of the letter of credit may include a boxed section which contains the name of the applicant and other appropriate notations to provide a reference for such letter of credit. The boxed section shall be clearly marked to indicate that such information is for internal identification purposes only.

(c) The letter of credit shall contain a statement to the effect that the obligation of the qualified United States financial institution under the letter of credit is in no way contingent upon reimbursement with respect thereto.

(d) The term of the letter of credit shall be for at least one year and shall contain an “evergreen clause” which prevents the expiration of the letter of credit without due notice from the issuer. The “evergreen clause” shall provide for a period of no less than 30 days’ notice prior to expiration date or non-renewal.

(e) The letter of credit shall state whether it is subject to and governed by the laws of this state or the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce (Publication 600)(UCP 600 or International Standby Practices of the International Chamber of Commerce Publication 590 (ISP98), or any successor publication, and all drafts thereunder shall be presentable at an office in the United States of a qualified United States financial institution.

(f) If the letter of credit is made subject to the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce (Publication 600), or any successor publication, then the letter of credit shall specifically address and provide for an extension of time to draw against the letter of credit in the event that one or more of the occurrences specified in Article 17 of Publication 600 or any other successor publication occur.

(g) If the letter of credit is issued by a financial institution authorized to issue letters of credit, other than a qualified United States financial institution as described in subsection (a) of this section, then the following additional requirements shall be met:

(1) The issuing financial institution shall formally designate the confirming qualified United States financial institution as its agent for the receipt and payment of the drafts, and

(2) The "evergreen clause" shall provide for 30 days notice prior to expiration date for non-renewal.

(h) Reinsurance agreement provisions.

(1) The reinsurance agreement in conjunction with which the letter of credit is obtained may contain provisions that:

(A) Require the assuming insurer to provide letters of credit to the ceding insurer and specify what they are to cover.

(B) Stipulate that the assuming insurer and ceding insurer agree that the letter of credit provided by the assuming insurer pursuant to the provisions of the reinsurance agreement may be drawn upon at any time, notwithstanding any other provisions in such agreement, and shall be utilized by the ceding insurer or its successors in interest only for one or more of the following reasons:

(i) to pay or reimburse the ceding insurer for:

(I) the assuming insurer's share under the specific reinsurance agreement of premiums returned, but not yet recovered from the assuming insurers, to the owners of policies reinsured under the reinsurance agreement on account of cancellations of such policies;

(II) the assuming insurer's share, under the specific reinsurance agreement, of surrenders and benefits or losses paid by the ceding insurer, but not yet recovered from the assuming insurers, under the terms and provisions of the policies reinsured under the reinsurance agreement; and

(III) any other amounts necessary to secure the credit or reduction from liability for reinsurance taken by the ceding insurer;

(ii) where the letter of credit will expire without renewal or be reduced or replaced by a letter of credit for a reduced amount and where the assuming insurer's entire obligations under the reinsurance agreement remain unliquidated and undischarged ten (10) days prior to the termination date, to withdraw amounts equal to the assuming insurer's share of the liabilities, to the extent that the liabilities have not yet been funded by the assuming insurer and exceed the amount of any reduced or replacement letter of credit, and deposit those amounts in a separate account in the name of the ceding insurer in a qualified United States financial institution apart from its general assets, in trust for such uses and purposes specified in subdivision (1)(B)(i) of this subsection as may remain after withdrawal and for any period after the termination date.

(C) All of the following provisions of subdivision (1) of this subsection shall be applied without diminution because of insolvency on the part of the ceding insurer or assuming insurer.

(2) Nothing contained in subdivision (1) of this subsection shall preclude the ceding insurer and assuming insurer from providing for:

(A) an interest payment, at a rate not in excess of the prime rate of interest, on the amounts held pursuant to subdivision (1)(B) of this subsection; or

(B) the return of any amounts drawn down on the letters of credit in excess of the actual amounts required for the above or any amounts that are subsequently determined not to be due.

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

**Sec. 38a-88-9. Other security**

A ceding insurer may take credit for unencumbered funds withheld by the ceding insurer in the United States subject to withdrawal solely by the ceding insurer and under its exclusive control.

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

**Sec. 38a-88-10. Reinsurance contract**

Credit will not be granted, nor an asset or reduction from liability allowed to a ceding insurer for reinsurance effected with assuming insurers meeting the requirements of sections 38a-88-1 to 38a-88-4a, inclusive, and section 38a-88-6 of the Regulations of Connecticut State Agencies or otherwise in compliance with section 38a-85 of the Connecticut General Statutes after the adoption of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies unless the reinsurance agreement:

(a) Includes a proper insolvency clause that provides, in substance, that in the event of the insolvency of the ceding insurer, the reinsurance shall be payable under a reinsurance agreement entered into by the assuming insurer on the basis of reported claims allowed by the liquidation court, without diminution because of the insolvency of the ceding insurer. Such payments shall be made directly to the ceding insurer or to its domiciliary liquidator except: (1) where the contract or other written agreement specifically provides another payee of such reinsurance in the event of the insolvency of the ceding insurer, or (2) where the assuming insurer, with the consent of the direct insured(s), has assumed such policy obligations of the ceding insurer as direct obligations of the assuming insurer to the payees under such policies and in substitution for the obligations of the ceding insurer to such payees;

(b) Notwithstanding subsection (a) of this section, 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 under the contract of reinsurance, then the reinsurer's liability to pay covered reinsured claims shall continue under the contract of reinsurance, subject to the payment to the reinsurer of the reinsurance premiums for such coverage. Payment for such reinsured claims shall only be made by the reinsurer pursuant to the direction of the guaranty association or its designated successor. Any payment made at the direction of the guaranty association or its designated successor by the reinsurer will discharge the reinsurer of all further liability to any other party for said claim payment;

(c) The reinsurance agreement may provide that the domiciliary liquidator of an insolvent ceding insurer shall give written notice to the assuming insurer of the pendency of a claim against such ceding insurer on the contract reinsured within a reasonable time after such claim is filed in the liquidation proceeding. During the pendency of such claim, any assuming insurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defenses which it deems available to the ceding insurer, or its liquidator;

(d) Includes a provision pursuant to section 38a-85(g) of the Connecticut General Statutes whereby the assuming insurer, if an unauthorized assuming insurer, has submitted to the jurisdiction of an alternative dispute resolution panel or court of competent jurisdiction within the United States, has agreed to comply with all requirements necessary to give such court or panel jurisdiction, has designated an agent upon whom service of process may be effected, and has agreed to abide by the final decision of such court or panel;

(e) Includes a proper reinsurance intermediary clause, if applicable, which stipulates that the credit risk for the intermediary is carried by the assuming insurer.

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

### Sec. 38a-88-11. Contracts affected

All new and renewal reinsurance transactions entered into after January 1, 2013 shall conform to the requirements of sections 38a-85, 38a-85a and 38a-86 of the Connecticut General Statutes and sections 38a-88-1 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.

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

### Sec. 38a-88-12. Severability

If any provision of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies, or the application thereof to any person or circumstance, is for any reason held to be invalid, the remainder of the regulations and the application of such provision to other persons or circumstances shall not be affected thereby.

*(see appendices next pages)*

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

**Sec. Appendix A.**

FORM AR-1

CERTIFICATE OF ASSUMING INSURER

I, ________________________________, ________________________________

(name of officer) (title of officer)

of________________________________________________, the assuming insurer

under a reinsurance agreement(s) with one or more insurers domiciled in the State of Connecticut, hereby certify that

________________________________________________ ("Assuming Insurer"):

(name of assuming insurer)

1. Submits to the jurisdiction of any court of competent jurisdiction within the State of Connecticut for the adjudication of any issues arising out of the reinsurance agreement(s), agrees to comply with all requirements necessary to give such court jurisdiction, and will abide by the final decision of such court or any appellate court in the event of an appeal. Nothing in this paragraph constitutes or should be understood to constitute a waiver of (Assuming Insurer's) rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. This paragraph is not intended to conflict with or override the obligation of the parties to the reinsurance agreement to arbitrate their disputes if such an obligation is created in the agreement(s).

2. Designates the Insurance Commissioner of the State of Connecticut as its lawful attorney upon whom may be served any lawful process in any action, suit or proceeding arising out of the reinsurance agreement(s) instituted by or on behalf of the ceding insurer.

3. Submits to the authority of the Insurance Commissioner of the State of Connecticut to examine its books and records and agrees to bear the expense of any such examination.

4. Submits with this form a current list of insurers domiciled in the State of Connecticut reinsured by Assuming Insurer and undertakes to submit additions to or deletions from the list to the Insurance Commissioner at least once per calendar quarter.

Dated: ______________ __________________________________________

(name of assuming insurer)

BY: __________________________________

(name of officer)

__________________________________

(title of officer)

(Effective November 26, 1991; Amended July 7, 2004; Amended August 6, 2013)

**Sec. Appendix B.**

FORM CR-1

CERTIFICATE OF CERTIFIED REINSURER

I, ________________________________, ________________________________
(name of officer) (title of officer)
of______________________________________________, the assuming insurer
under a reinsurance agreement with one or more insurers domiciled in
__________________________________________, in order to be considered for
(name of state)
approval in this state, hereby certify that
______________________________________________ ("Assuming Insurer"):
(name of assuming insurer)

1. Submits to the jurisdiction of any court of competent jurisdiction within the State of Connecticut for the adjudication of any issues arising out of the reinsurance agreement, agrees to comply with all requirements necessary to give such court jurisdiction, and will abide by the final decision of such court or any appellate court in the event of an appeal. Nothing in this paragraph constitutes or should be understood to constitute a waiver of Assuming Insurer's rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. This paragraph is not intended to conflict with or override the obligation of the parties to the reinsurance agreement to arbitrate their disputes if such an obligation is created in the agreement.

2. Designates the Insurance Commissioner of the State of Connecticut as its lawful attorney upon whom may be served any lawful process in any action, suit or proceeding arising out of the reinsurance agreement instituted by or on behalf of the ceding insurer.

3. Agrees to provide security in an amount equal to 100% of liabilities attributable to U.S. ceding insurers if it resists enforcement of a final U.S. judgment or properly enforceable arbitration award.

4. Agrees to provide notification within 10 days of any regulatory actions taken against it, any change in the provisions of its domiciliary license or any change in its rating by an approved rating agency, including a statement describing such changes and the reasons therefore.

5. Agrees to annually file information comparable to relevant provisions of the NAIC financial statement for use by insurance markets in accordance with section 38a-88-4a(b)(7)(B) of the Regulations of Connecticut State Agencies.

6. Agrees to annually file the report of the independent auditor on the financial statements of the insurance enterprise.

7. Agrees to annually file audited financial statements, regulatory filings, and actuarial opinion in accordance with section 38a-88-4a(b)(7)(D) of the Regulations of Connecticut State Agencies.

8. Agrees to annually file an updated list of all disputed and overdue reinsurance claims regarding reinsurance assumed from U.S. domestic ceding insurers.

9. Is in good standing as an insurer or reinsurer with the supervisor of its domiciliary jurisdiction and maintains capital in excess of the jurisdiction's highest regulatory action as evidenced by certification of its domiciliary regulator.

Dated: ______________ ________________________________________

(name of assuming insurer)

BY: ________________________________

(name of officer)

________________________________

(title of officer)

(Effective August 6, 2013)

**Sec. APPENDIX C.**

**Form CR-F – PART 1**

Assumed Reinsurance as of December 31, Current Year (000 Omitted)

| 1 | 2 | 3 | 4 | 5 | Reinsurance On | | | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Code or ID Number | | Name of Reinsured | Domiciliary Jurisdiction | Assumed Premium | 6 Paid Losses and Loss Adjustment Expenses | 7 Known Case Losses and LAE | 8 Cols. 6 + 7 | Contingent Commissions Payable | Assumed Premiums Receivable | Unearned Premium | Funds Held By or Deposited With Reinsured Companies | Letters of Credit Posted | Amount of Assets Pledged or Compensating Balances to Secure Letters of Credit | Amount of Assets Pledged or Collateral Held in Trust |

9999999 Totals

**Form CR-F – PART 2**

Ceded Reinsurance as of December 31, Current Year (000 Omitted)

| 1 | 2 | 3 | 4 | 5 | 6 | Reinsurance Recoverable On | | | | | | | | | Reinsurance Payable | | 18 | 19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Code or ID Number | | Name of Reinsurer | Domiciliary Jurisdiction | Reinsurance Contracts Ceding 75% or More of Direct Premiums Written | Reinsurance Premiums Ceded | 7 Paid Losses | 8 Paid LAE | 9 Known Case Loss Reserves | 10 Known Case LAE Reserves | 11 IBNR Loss Reserves | 12 IBNR LAE Reserves | 13 Unearned Premiums | 14 Contingent Commissions | 15 Cols. 7 through 14 Totals | 16 Ceded Balances Payable | 17 Other Amounts Due to Reinsurers | Net Amount Recoverable From Reinsurers Cols. 15 – | Funds Held by Company Under Reinsurance Treaties |

9999999 Totals

(Effective August 6, 2013)

**Sec. APPENDIX D.**

**Form CR-S – PART 1 – SECTION 1**

Reinsurance Assumed Life Insurance, Annuities, Deposit Funds and Other Liabilities Without Life or Disability Contingencies, and Related Benefits Listed by Reinsured Company as of December 31, Current Year

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Co | | Ef | Name | Location | Type | Amo | Re | Pre | Rein | Mod | Funds |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| mp any Cod e or ID Nu mb er | | fec- tive Dat e | of Reinsured | | of Rein- suran ce As- sume d | unt of In Force at End of Year | serv e | miu ms | suran ce Paya ble on Paid and Un- paid Losse s | ified Coin- suran ce Re- serve | With- held Under Coin- suranc e |
| Totals | | | | | | | | | | | |

**Form CR-S – PART 1 – SECTION 2**

Reinsurance Assumed Accident and Health Insurance Listed by Reinsured Company as of December 31, Current Year

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Com pany Code or ID Num ber | | Ef- fec- tive Dat e | Name of Reinsured | Domicil- iary Jurisdic- tion | Type of Rein- suran ce As- sume d | Pre- mium s | Un- earne d Pre- mium s | Re- serve Lia- bility Other Than For Un- earne d Pre- mium s | Rein- suran ce Payab le on Paid and Un- paid Losse s | Mod ified Coin sura nce Re- serve | Fund s With- held Unde r Coin- suran ce |
| Totals | | | | | | | | | | | |

**Form CR-S – PART 2**

Reinsurance Recoverable on Paid and Unpaid Losses Listed by Reinsuring Company as of December 31, Current Year

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|
| Com pany Code | | Effec- tive Date | Name of Company | Location | Paid Losses | Unpaid Losses |

or ID Number

Totals—Life, Annuity and Accident and Health

**Form CR-S – PART 3 – SECTION 1**

Reinsurance Ceded Life Insurance, Annuities, Deposit Funds and Other Liabilities Without Life or Disability Contingencies, and Related Benefits Listed by Reinsuring Company as of December 31, Current Year

| 1 Company Code or ID Number | 2 | 3 Effective Date | 4 Name of Company | 5 Location | 6 Type of Reinsurance Ceded | 7 | Reserve Credit Taken | | 10 | Outstanding Surplus Relief | | 13 Modified Coinsurance Reserve | 14 Funds Withheld Under Coinsurance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Amount in Force at End of Year | 8 Current Year | 9 Prior Year | Premiums | 11 Current Year | 12 Prior Year | | |
| Totals | | | | | | | | | | | | | |

**Form CR-S – PART 3 – SECTION 2**

Reinsurance Ceded Accident and Health Insurance Listed by Reinsuring Company as of December 31, Current Year

| 1 Company Code or ID Number | 2 | 3 Effective Date | 4 Name of Company | 5 Location | 6 Type | 7 Premiums | 8 Unearned Premiums (Estimated) | 9 Reserve Credit Taken Other than for Unearne | Outstanding Surplus Relief | | 12 Modified Coinsurance Reserve | 13 Funds Withheld Under Coinsurance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | 10 Current Year | 11 Prior Year | | |

| | |
|---|---|
| | d Pre-mium s |
| Totals | |

(Effective August 6, 2013)

**Term and Universal Life Insurance Reserve Financing**

**Sec. 38a-88-13. Scope and Application**

(a) Sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies are intended to conform to national uniform standards governing reserve financing arrangements pertaining to life insurance policies containing guaranteed nonlevel gross premiums, guaranteed nonlevel benefits and universal life insurance policies with secondary guarantees; and to ensure that, with respect to each such financing arrangement, funds consisting of primary security and other security, as those terms are defined in section 38a-88-14 of the Regulations of Connecticut State Agencies, are held by or on behalf of ceding insurers in the forms and amounts required in this section and sections 38a-88-14 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies. In general, reinsurance ceded for reserve financing purposes has one or more of the following characteristics: Some or all of the assets used to secure the reinsurance contract or to capitalize the reinsurer (1) are issued by the ceding insurer or its affiliates; (2) are not unconditionally available to satisfy the general account obligations of the ceding insurer; or (3) create a reimbursement, indemnification or other similar obligation on the part of the ceding insurer or any of its affiliates (other than a payment obligation under a derivative contract acquired in the normal course and used to support and hedge liabilities pertaining to the actual risks in the policies ceded pursuant to the reinsurance contract).

(b) Sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies shall apply to reinsurance treaties that cede liabilities pertaining to Covered Policies, as that term is defined in section 38a-88-14 of the Regulations of Connecticut State Agencies, issued by any life insurance company domiciled in this state. Sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies and sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies shall both apply to such reinsurance treaties that cede liabilities pertaining to covered policies; provided, that in the event of a direct conflict between the provisions of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies and sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies, the provisions of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies shall apply, but only to the extent of the conflict.

(Effective November 6, 2019)

**Sec. 38a-88-14. Definitions**

As used in sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies:

(1) "Actuarial method" means the methodology used to determine the required level of primary security, as described in section 38a-88-15 of the Regulations of Connecticut State Agencies.

(2) "Attained-age-based yearly renewable term life insurance policies" means policies where:

(A) The premium rates, on both the initial current premium scale and the guaranteed maximum premium scale, are based upon the attained age of the insured such that the rate for any given policy at a given attained age of the insured is independent of the year the policy was issued; and

(B) The premium rates, on both the initial current premium scale and the guaranteed maximum premium scale, are the same as the premium rates for policies covering all insured of the same sex, risk class, plan of insurance and attained age.

(3) "Covered policies" means the following: Subject to the exemptions described in section 38a-88-17 of the Regulations of Connecticut State Agencies, those policies, other than grandfathered policies, of the following policy types:

(A) Life insurance policies with guaranteed nonlevel gross premiums and/or guaranteed nonlevel benefits, except for flexible premium universal life insurance policies; or

(B) Flexible premium universal life insurance policies with provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guarantee period.

(4) "Commissioner" means the Insurance Commissioner of the State of Connecticut.

(5) "Grandfathered policies" means policies of the types described in subdivisions (3)(A) and (3)(B) of this section that were issued prior to January 1, 2015 and ceded, as of December 31, 2014, as part of a reinsurance contract that would not have met one of the exemptions set forth in section 38a-88-17 of the Regulations of Connecticut State Agencies had that section then been in effect.

(6) "NAIC" means the National Association of Insurance Commissioners.

(7) "Non-covered policies" means any policy that does not meet the definition of covered policies, including grandfathered policies.

(8) "*n*-year renewable term life insurance policies" means policies that meet the following conditions:

(A) The policy consists of a series of *n*-year periods, including the first period and all renewal periods, where *n* is the same for each period, except that for the final renewal period, *n* may be truncated or extended to reach the expiry age, provided that this final renewal period is less than ten (10) years and less than twice the size of the earlier *n*-year periods, and for each period, the premium rates on both the initial current premium scale and the guaranteed maximum premium scale are level;

(B) The guaranteed gross premiums in all *n*-year periods are not less than the corresponding net premiums based upon the 1980 Commissioners' Standard Ordinary Table

with or without the ten (10) year select mortality factors; and
(C) There are no cash surrender values in any policy year.
(9) "Required level of primary security" means the dollar amount determined by applying the actuarial method to the risks ceded with respect to covered policies, but not more than the total reserve ceded.
(10) "Primary security" means the following forms of security:
(A) Cash meeting the requirements of section 38a-86 of the Connecticut General Statutes;
(B) Securities listed by the NAIC's Securities Valuation Office meeting the requirements of section 38a-86 of the Connecticut General Statutes, but excluding any synthetic letter of credit, contingent note, credit-linked note or other similar security that operates in a manner similar to a letter of credit, and excluding any securities issued by the ceding insurer or any of its affiliates; and
(C) For security held in connection with funds-withheld and modified coinsurance reinsurance treaties:
(i) Commercial loans in good standing of CM3 quality or higher;
(ii) Policy loans; and
(iii) Derivatives acquired in the normal course and used to support and hedge liabilities pertaining to the actual risks in the policies ceded pursuant to the reinsurance contract.
(11) "Other security" means any security acceptable to the Commissioner other than security meeting the definition of primary security.
(12) "Valuation manual" means the valuation manual adopted by the NAIC described in Section 11B(1) of the Standard Valuation Law, with all amendments adopted by the NAIC that are effective for the financial statement date on which credit for reinsurance is claimed.
(13) "VM-20" means "Requirements for Principle-Based Reserves for Life Products", including all relevant definitions, from the valuation manual.

(Effective November 6, 2019)

**Sec. 38a-88-15. The Actuarial Method**

(a) **Actuarial Method**. The actuarial method to establish the required level of primary security for each reinsurance contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies shall be VM-20, applied on a contract-by-contract basis including all relevant definitions from the valuation manual as then in effect, applied as follows:
(1) For covered policies described in section 38a-88-14(3)(A) of the Regulations of Connecticut State Agencies, the actuarial method is the greater of the deterministic reserve or the net premium reserve regardless of whether the criteria for exemption testing can be met. However, if the covered policies do not meet the requirements of the stochastic reserve exclusion test in the valuation manual, then the actuarial method is the greatest of the deterministic reserve, the stochastic reserve or the net premium reserve. In addition, if such covered policies are reinsured in a reinsurance contract that also contains covered policies

described in section 38a-88-14(3)(B) of the Regulations of Connecticut State Agencies, the ceding insurer may elect to instead use subdivision (2) of this subsection as the actuarial method for the entire reinsurance agreement. Whether this subdivision or subdivision (2) of this subsection is used, the actuarial method must comply with any requirements or restrictions that the valuation manual imposes when aggregating these policy types for the purposes of principle-based reserve calculations.

(2) For covered policies described in section 38a-88-14(3)(B) of the Regulations of Connecticut State Agencies, the actuarial method is the greatest of the deterministic reserve, the stochastic reserve or the net premium reserve regardless of whether the criteria for exemption testing can be met.

(3) Except as provided in subdivision (4) of this subsection, the actuarial method is to be applied on a gross basis to all risks with respect to the covered policies as originally issued or assumed by the ceding insurer.

(4) If the reinsurance contract cedes less than one hundred percent (100%) of the risk with respect to the covered policies then the required level of primary security may be reduced as follows:

(A) If the reinsurance contract cedes only a quota share of some or all of the risks pertaining to the covered policies, the required level of primary security, as well as any adjustment under subparagraph (C) of this subdivision, may be reduced to a pro rata portion in accordance with the percentage of the risk ceded;

(B) If the reinsurance contract in a non-exempt arrangement cedes only the risks pertaining to a secondary guarantee, the required level of primary security may be reduced by an amount determined by applying the actuarial method on a gross basis to all risks, other than risks related to the secondary guarantee, pertaining to the covered policies, except that for covered policies for which the ceding insurer did not elect to apply the provisions of VM-20 to establish statutory reserves, the required level of primary security may be reduced by the statutory reserve retained by the ceding insurer on those covered policies, where the retained reserve of those covered policies should be reflective of any reduction pursuant to the cession of mortality risk on a yearly renewable term basis in any exempt arrangement;

(C) If a portion of the covered policy risk is ceded to another reinsurer on a yearly renewable term basis in an exempt arrangement, the required level of primary security may be reduced by the amount resulting by applying the actuarial method, including the reinsurance section of VM-20, to the portion of the covered policy risks ceded in the exempt arrangement, except that for covered policies issued prior to January 1, 2017, this adjustment is not to exceed [$c_x$/ (2* number of reinsurance premiums per year)] where $c_x$ is calculated using the same mortality table used in calculating the net premium reserve; and

(D) For any other contract ceding a portion of risk to a different reinsurer, including but not limited to stop loss, excess of loss and other non-proportional reinsurance treaties, there shall be no reduction in the required level of primary security.

(5) It is possible for any combination of subparagraphs (A), (B), (C) and (D) of

subdivision (4) of this subsection to apply. Such adjustments to the required level of primary security shall be done in the sequence that accurately reflects the portion of the risk ceded via the contract. The ceding insurer shall document the rationale and steps taken to accomplish the adjustments to the required level of primary security due to the cession of less than one hundred percent (100%) of the risk. The adjustments for other reinsurance shall be made only with respect to reinsurance treaties entered into directly by the ceding insurer. The ceding insurer shall make no adjustments as a result of a retrocession contract entered into by the assuming insurers.

(6) In no event shall the required level of primary security resulting from application of the actuarial method be required to exceed the amount of statutory reserves ceded.

(7) If the ceding insurer cedes risks with respect to covered policies, including any riders, in more than one reinsurance contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies, in no event shall the aggregate required level of primary security for those reinsurance treaties be less than the required level of primary security calculated using the actuarial method as if all risks ceded in those treaties were ceded in a single contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies.

(8) If a reinsurance contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies cedes risk on both covered policies and non-covered policies, credit for the ceded reserves shall be determined as follows:

(A) The actuarial method shall be used to determine the required level of primary security for the covered policies, and section 38a-88-16 of the Regulations of Connecticut State Agencies shall be used to determine the reinsurance credit for the covered policy reserves; and

(B) Credit for the non-covered policy reserves shall be granted only to the extent that security, in addition to the security held to satisfy the requirements of subparagraph (A) of this subdivision, is held by or on behalf of the ceding insurer in accordance with sections 38a-85 and 38a-86 of the Connecticut General Statutes. Any primary security used to meet the requirements of this subparagraph may not be used to satisfy the required level of primary security for the covered policies.

(b) **Valuation Used for Purposes of Calculations**. For the purposes of both calculating the required level of primary security pursuant to the actuarial method and determining the amount of primary security and other security, as applicable, held by or on behalf of the ceding insurer, the following shall apply:

(1) For assets, including any such assets held in trust, that would be admitted under the NAIC Accounting Practices and Procedures Manual if they were held by the ceding insurer, the valuations are to be determined according to statutory accounting procedures as if such assets were held in the ceding insurer's general account and without taking into consideration the effect of any prescribed or permitted practices; and

(2) For all other assets, the valuations are to be those that were assigned to the assets for the purpose of determining the amount of reserve credit taken. In addition, the asset spread

tables and asset default cost tables required by VM-20 shall include in the actuarial method if adopted by the NAIC's Life Actuarial (A) Task Force, no later than the December 31st on or immediately preceding the valuation date for which the required level of primary security is being calculated. The tables of asset spreads and asset default costs shall be incorporated into the actuarial method in the manner specified in VM-20.

(Effective November 6, 2019)

**Sec. 38a-88-16. Requirements Applicable to Covered Policies to Obtain Credit for Reinsurance; Opportunity for Remediation**

(a) **Requirements**. Subject to the exemptions described in section 38a-88-17 of the Regulations of Connecticut State Agencies and the provisions of subsection (b) of this section, credit for reinsurance shall be allowed with respect to ceded liabilities pertaining to covered policies pursuant to sections 38a-85 and 38a-86 of the Connecticut General Statutes if in addition to all other requirements imposed by the Connecticut General Statutes or the Regulations of Connecticut State Agencies, the following requirements are met on a contract-by-contract basis:

(1) The ceding insurer's statutory policy reserves with respect to the covered policies are established in full and in accordance with the applicable requirements of sections 38a-77, 38a-78, 38a-78a and 38a-79 of the Connecticut General Statutes and related regulations and actuarial guidelines, and credit claimed for any reinsurance contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies does not exceed the proportionate share of those reserves ceded under the contract;

(2) The ceding insurer determines the required level of primary security with respect to each reinsurance contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies and provides such support for its calculation that the Commissioner determines to be acceptable;

(3) Funds consisting of primary security, in an amount at least equal to the required level of primary security, are held by or on behalf of the ceding insurer, as security under the reinsurance contract within the meaning of section 38a-86 of the Connecticut General Statutes, on a funds withheld, trust or modified coinsurance basis;

(4) Funds consisting of other security, in an amount at least equal to any portion of the statutory reserves as to which primary security is not held pursuant to subdivision (3) of this subsection, are held by or on behalf of the ceding insurer as security under the reinsurance contract within the meaning of section 38a-86 of the Connecticut General Statutes;

(5) Any trust used to satisfy the requirements of this section shall comply with all of the conditions and qualifications of section 38a-88-7 of the Regulations of Connecticut State Agencies, except that:

(A) Funds consisting of primary security or other security held in trust shall, for the purposes identified in section 38a-88-15(b) of the Regulations of Connecticut State Agencies, be valued according to the valuation rules set forth in section 38a-88-15(b) of the Regulations of Connecticut State Agencies, as applicable;

(B) There are no affiliate investment limitations with respect to any security held in such trust if such security is not needed to satisfy the requirements of subdivision (3) of this subsection;

(C) The reinsurance contract must prohibit withdrawals or substitutions of trust assets that would leave the fair market value of the primary security within the trust (when aggregated with primary security outside the trust that is held by or on behalf of the ceding insurer in the manner required by subdivision (3) of this subsection) below one hundred two percent (102%) of the level required by subdivision (3) of this subsection at the time of the withdrawal or substitution; and

(D) The determination of reserve credit under subsection (d)(3) of section 38a-88-7 of the Regulations of Connecticut State Agencies shall be determined according to the valuation rules set forth in section 38a-88-15(b) of the Regulations of Connecticut State Agencies, as applicable; and

(6) The reinsurance contract has been approved by the Commissioner.

(b) **Requirements at Inception Date and on an On-going Basis; Remediation**

(1) The requirements of subsection (a) of this section shall be satisfied as of the date that risks under Covered Policies are ceded (if such date is on or after the effective date of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies) and on an ongoing basis thereafter. Under no circumstances shall a ceding insurer take or consent to any action or series of actions that would result in a deficiency under subdivision (3) or (4) of subsection (a) of this section with respect to any reinsurance contract under which Covered Policies have been ceded, and in the event that a ceding insurer becomes aware at any time that such a deficiency exists, it shall use its best efforts to arrange for the deficiency to be eliminated as expeditiously as possible.

(2) Prior to the due date of each quarterly or annual statement, each life insurance company that has ceded reinsurance within the scope of section 38a-88-13 of the Regulations of Connecticut State Agencies shall perform an analysis, on a contract-by-contract basis, to determine, as to each reinsurance contract under which covered policies have been ceded, whether as of the end of the immediately preceding calendar quarter (the valuation date) the requirements of subdivisions (3) and (4) of subsection (a) of this section were satisfied. The ceding insurer shall establish a liability equal to the excess of the credit for reinsurance taken over the amount of primary security actually held pursuant to subsection (a)(3) of this section, unless either:

(A) The requirements of subdivisions (3) and (4) of subsection (a) of this section were fully satisfied as of the valuation date as to such reinsurance contract; or

(B) Any deficiency has been eliminated before the due date of the quarterly or annual statement to which the valuation date relates through the addition of primary security and/or other security, as the case may be, in such amount and in such form as would have caused the requirements of subdivisions (3) and (4) of subsection (a) of this section to be fully satisfied as of the valuation date.

(3) Nothing in subdivision (2) of this subsection shall be construed to allow a ceding company to maintain any deficiency under subdivision (3) or (4) of subsection (a) of this section for any period of time longer than is reasonably necessary to eliminate it.

(Effective November 6, 2019)

**Sec. 38a-88-17. Exemptions from this Regulation**

Sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies do not apply to the following situations:

(a) Reinsurance of:

(1) Attained-age-based yearly renewable term life insurance policies or *n*-year renewable term life insurance policies; and which are issued before the later of:

(A) The effective date of this section; or

(B) The date on which the ceding insurer begins to apply the provisions of VM-20 to establish the ceded policies' statutory reserves, but in no event later than January 1, 2020;

(2) Policies that become attained-age-based yearly renewable term life insurance policies that meet all of the following requirements:

(A) After an initial period of coverage, but not during the initial period of coverage, if the initial period of coverage:

(i) Is constant for all insureds of the same sex, risk class and plan of insurance; or

(ii) Runs to a common attained age for all insureds of the same sex, risk class and plan of insurance; and

(B) After the initial period of coverage the policy conforms with the definition of attained-age-based yearly renewable term life insurance policies; and which are issued before the latter of:

(i) The effective date of this section; or

(ii) The date on which the ceding insurer begins to apply the provisions of VM-20 to establish the ceded policies' statutory reserves, but in no event later than January 1, 2020;

(3) Portions of policies in which only mortality risk is reinsured; and which are issued before the later of:

(A) The effective date of this section; or

(B) The date on which the ceding insurer begins to apply the provisions of VM-20 to establish the ceded policies' statutory reserves, but in no event later than January 1, 2020;

(4) Any universal life policy that meets all of the following requirements:

(A) The secondary guarantee period, if any, is five (5) years or less;

(B) The specified premium for the secondary guarantee period is not less than the net level reserve premium for the secondary guarantee period based on the Commissioner's Standard Ordinary valuation mortality table and valuation interest rate applicable to the issue year of the policy; and

(C) The initial surrender charge is not less than one hundred percent (100%) of the first year annualized specified premium for the secondary guarantee period;

(5) Credit life insurance;

(6) Any variable life insurance policy that provides for life insurance, the amount or duration of which varies according to the investment experience of any separate account or accounts; or

(7) Any group life insurance certificate unless the certificate provides for a stated or implied schedule of maximum gross premiums required in order to continue coverage in force for a period in excess of one (1) year;

(b) Reinsurance ceded to an assuming insurer that meets the applicable requirements of section 38a-85(e) of the Connecticut General Statutes;

(c) Reinsurance ceded to an assuming insurer that meets the applicable requirements of subsection (a), (b), (c) or (d) of section 38a-85 of the Connecticut General Statutes, and that, in addition:

(1) Prepares statutory financial statements in compliance with the NAIC Accounting Practices and Procedures Manual, without any departures from NAIC statutory accounting practices and procedures pertaining to the admissibility or valuation of assets or liabilities that increase the assuming insurer's reported surplus and are material enough that they need to be disclosed in the financial statement of the assuming insurer pursuant to Statement of Statutory Accounting Principles No. 1; and

(2) Is not in a Company Action Level Event, Regulatory Action Level Event, Authorized Control Level Event or Mandatory Control Level Event, as those terms are defined in sections 38a-72-1 to 38a-72-13, inclusive, of the Regulations of Connecticut State Agencies, when its risk-based capital is calculated in accordance with the life risk-based capital report including overview and instructions for companies, as the same may be amended by the NAIC from time to time, without deviation;

(d) Reinsurance ceded to an assuming insurer that meets the applicable requirements of subsection (b), (c) or (d) of section 38a-85 of the Connecticut General Statutes, and that, in addition:

(1) Is not an affiliate, as that term is defined in subsection (b)(1) of section 38a-129 of the Connecticut General Statutes, of:

(A) The insurer ceding the business to the assuming insurer; or

(B) Any insurer that directly or indirectly ceded the business to that ceding insurer;

(2) Prepares statutory financial statements in compliance with the NAIC Accounting Practices and Procedures Manual;

(3) Is both:

(A) Licensed or accredited in at least ten (10) states (including its state of domicile); and

(B) Not licensed in any state as a captive, special purpose vehicle, special purpose financial captive, special purpose life reinsurance company, limited purpose subsidiary or any other similar licensing regime; and

(4) Is not, or would not be, below five hundred percent (500%) of the Authorized Control Level RBC as that term is defined in sections 38a-72-1 to 38a-72-13, inclusive, of the Regulations of Connecticut State Agencies when its risk-based capital is calculated in accordance with the life risk-based capital including overview and instructions for

companies, as the same may be amended by the NAIC from time to time, without deviation, and without recognition of any departures from NAIC statutory accounting practices and procedures pertaining to the admission or valuation of assets or liabilities that increase the assuming insurer's reported surplus;

(e) Reinsurance ceded to an assuming insurer if:

(1) The assuming insurer is certified in this state; or

(2) The assuming insurer maintains at least $250,000,000 in capital and surplus determined in accordance with the NAIC Accounting Practices and Procedures Manual, excluding the impact of permitted or prescribed practices, and is:

(A) Licensed in at least twenty-six (26) states; or

(B) Licensed in at least ten (10) states and licensed or accredited in a total of at least thirty-five (35) states; or

(f) Reinsurance not otherwise exempt under subsections (a) through (e), inclusive, of this section if the Commissioner, after consulting with the NAIC Financial Analysis Working Group (FAWG) or other group of regulators designated by the NAIC, as applicable, determines under all the facts and circumstances that all of the following apply:

(1) The risks are clearly outside of the intent and purpose of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies (as that intent and purpose is described in section 38a-88-13 of the Regulations of Connecticut State Agencies);

(2) The risks are included within the scope of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies only as a technicality; and

(3) The application of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies to those risks is not necessary to provide appropriate protection to policyholders. The Commissioner shall disclose any decision made pursuant to this subsection to exempt a reinsurance contract from sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies, as well as the general basis therefore (including a summary description of the contract).

(Effective November 6, 2019)

**Sec. 38a-88-18. Prohibition Against Avoidance**

No insurer that has covered policies as to which sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies apply (as set forth in section 38a-88-13 of the Regulations of Connecticut State Agencies) shall take any action or series of actions, or enter into any transaction or arrangement or series of transactions or arrangements if the purpose of such action, transaction or arrangement or series thereof is to avoid the requirements of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies, or to circumvent the purpose and intent of said sections, as set forth in section 38a-88-13 of the Regulations of Connecticut State Agencies.

(Effective November 6, 2019)

**Sec. 38a-88-19. Severability**

If any provision of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies or the applicability thereof to any person or circumstance is held to be invalid, the remainder of said sections or the applicability of such provisions to other persons or circumstances shall not be affected thereby.

(Effective November 6, 2019)