

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)