

Secretary of the State File Number

**6359**

Regulation of the  
**Insurance Department**  
Concerning

**Credit for Reinsurance**

Regulations adopted after July 1, 2013, become effective upon posting to the Connecticut eRegulations System, or at a later date if specified within the regulation.

Posted to the Connecticut eRegulations System on **May 18, 2022**

EFFECTIVE DATE

**May 18, 2022**

Approved by the Attorney General on

**March 4, 2022**

Approved by the Legislation Regulation Review Committee on

**April 26, 2022**

Electronic copy with agency head certification statement electronically submitted to and received by the Office of the Secretary of the State on

**April 29, 2022**

**IMPORTANT NOTICE FOR CONNECTICUT STATE AGENCIES**  
This form should be used only for regulations first noticed *on and after March 23, 2015*.

## Electronic Copy Certification Statement

*(Submitted in accordance with the provisions of section 4-172 of the Connecticut General Statutes)*

Regulation of the  
**Insurance Department**  
Concerning  
**Credit for Reinsurance - Reciprocal Jurisdiction**

Approved by the Legislative Regulation Review Committee: **April 26, 2022**

eRegulations System Tracking Number: **PR2021-013**

**I hereby certify** that the electronic copy of the above-referenced regulation submitted herewith to the Secretary of the State is a true and accurate copy of the regulation approved in accordance with sections 4-169 and 4-170 of the *Connecticut General Statutes*.

**And I further certify** that in accordance with the approval of Legislative Regulation Review Committee, all required technical corrections, page substitutions and deletions, if any, have been incorporated into said regulation.

**In testimony whereof**, I have hereunto  
set my hand on **April 28, 2022**.



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Andrew N. Mais  
Commissioner  
Insurance Department

**State of Connecticut  
Regulation of  
Insurance Department  
Concerning  
[Credit for Reinsurance]**

Inclusive Sections

§§ 38a-88-1 – 38a-88-12

**Credit for Reinsurance**

Section 1. Sections 38a-88-4 and 38a-88-4a of the Regulations of Connecticut State Agencies are amended to read as follows:

**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 trustee 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 trustee 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 trustee 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 trustee 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 trustee 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] or 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.

#### **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:

<b>Ratings</b>	<b>Security Required</b>
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;

<u>Ratings</u>	<u>Best</u>	<u>S&amp;P</u>	<u>Moody’s</u>	<u>Fitch</u>
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] D 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] E 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, with a translation into English). Upon the initial application for certification, the Commissioner will consider audited financial statements for the last [3] 2 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] D of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies) or Form CR-S (Appendix [D] E 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, the most recent 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, with a translation into English). Upon the initial certification, audited financial statements for the last [3] 2 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-United] non-United 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.

Sec. 2. The Regulations of Connecticut State Agencies are amended by adding section 38a-88- 4b as follows:

**(NEW) Sec. 38a-88-4b. Credit for Reinsurance – Reciprocal Jurisdictions**

(a) The Commissioner shall allow credit for reinsurance ceded by a domestic insurer to an assuming insurer that is licensed to write reinsurance by, and has its head office or is domiciled in, a reciprocal jurisdiction, and which assuming insurer meets other requirements of this section.

(b) For the purposes of this section, a “reciprocal jurisdiction” is a jurisdiction, as designated by the Commissioner pursuant to subsection (d) of this section, that meets one of the following:

(1) For the purposes of this section, a non-United States jurisdiction that is subject to an in-force covered agreement with the United States, each within its legal authority, or, in the case of a covered agreement between the United States and European Union, is a member state of the European Union. For purposes of this subsection, a “covered agreement” is an agreement entered into pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, 31 USC 313 and 314, that is currently in effect or in a period of provisional application and addresses the elimination, under specified conditions, of collateral requirements as a condition for entering into any reinsurance agreement with a ceding insurer domiciled in this state or for allowing the ceding insurer to recognize credit for reinsurance;

(2) A United States jurisdiction that meets the requirements for accreditation under the NAIC financial standards and accreditation program; or

(3) A qualified jurisdiction, as determined by the Commissioner pursuant to section 38a-85a(c) of the Connecticut General Statutes or section 38a-88-4a(c) of the Regulations of Connecticut State Agencies, which is not otherwise described in subdivision (1) or (2) of this subsection and which the Commissioner determines meets all of the following additional requirements:

(A) Provides that an insurer which has its head office or is domiciled in such qualified jurisdiction shall receive credit for reinsurance ceded to a United States-domiciled assuming insurer in the same manner as credit for reinsurance is received for reinsurance assumed by insurers domiciled in such qualified jurisdiction;

(B) Does not require a United States-domiciled assuming insurer to establish or maintain a local presence as a condition for entering into a reinsurance agreement with any ceding insurer subject to a regulation by the non-United States jurisdiction or as a condition to allow the ceding insurer to recognize credit for such reinsurance;

(C) Recognizes the United States state regulatory approach to group supervision and group capital, by providing written confirmation by a competent regulatory authority, in such qualified jurisdiction, that insurers and insurance groups that are domiciled or maintain their headquarters in this state or another jurisdiction accredited by the NAIC shall be subject only to worldwide

prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, by the Commissioner or the commissioner of the domiciliary state and will not be subject to group supervision at the level of the worldwide parent undertaking of the insurance or reinsurance group of the qualified jurisdiction; and

(D) Provides written confirmation by a competent regulatory authority in such qualified jurisdiction that information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the Commissioner in accordance with a memorandum of understanding or similar document between the Commissioner and such qualified jurisdiction, including but not limited to the International Association of Insurance Supervisors Multilateral Memorandum of Understanding or other multilateral memoranda of understanding coordinated by the NAIC.

(c) Credit shall be allowed when the reinsurance is ceded from an insurer domiciled in this state to an assuming insurer meeting each of the following conditions:

(1) The assuming insurer is licensed to transact reinsurance by, and has its head office or is domiciled in, a reciprocal jurisdiction.

(2) The assuming insurer has and maintains on an ongoing basis minimum capital and surplus, or its equivalent, calculated on at least an annual basis as of the preceding December 31 or at the annual date otherwise statutorily reported to the reciprocal jurisdiction, and confirmed as set forth in subdivision (7) of this subsection according to the methodology of its domiciliary jurisdiction, in the following amounts:

(A) No less than \$250,000,000; or

(B) If the assuming insurer is an association, including incorporated and individual unincorporated underwriters:

(i) Minimum capital and surplus equivalents (net of liabilities) or own funds of the equivalent of at least \$250,000,000; and

(ii) A central fund containing a balance of the equivalent of at least \$250,000,000.

(3) The assuming insurer has and maintains on an ongoing basis a minimum solvency or capital ratio, as applicable, as follows:

(A) If the assuming insurer has its head office or is domiciled in a reciprocal jurisdiction as defined in subdivision (1) of subsection (b) of this section, the ratio specified in the applicable covered agreement;

(B) If the assuming insurer is domiciled in a reciprocal jurisdiction as defined in subdivision (2) of subsection (b) of this section, a risk-based capital (RBC) ratio of three hundred percent (300%) of the authorized control level, calculated in accordance with the formula developed by the NAIC; or

(C) If the assuming insurer is domiciled in a reciprocal jurisdiction as defined in subdivision (3) of subsection (b) of this section, after consultation with the reciprocal jurisdiction and considering any recommendations published through the NAIC committee process, such solvency or capital ratio as the commissioner determines to be an effective measure of solvency.

(4) The assuming insurer agrees to and provides adequate assurance, in the form of a properly executed Form RJ-1 (Appendix C of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies), of its agreement to the following:

(A) The assuming insurer shall provide prompt written notice and explanation to the Commissioner if it falls below the minimum requirements set forth in subdivision (2) or (3) of this subsection, or if any regulatory action is taken against it for serious noncompliance with applicable law.

(B) The assuming insurer shall consent in writing to the jurisdiction of the courts of this state and to the appointment of the Commissioner as agent for service of process.

(i) The Commissioner may also require that the consent required by this subparagraph be provided and included in each reinsurance agreement under the Commissioner's jurisdiction.

(ii) Nothing in this subparagraph shall limit or in any way alter the capacity of parties to a reinsurance agreement to agree to alternative dispute resolution mechanisms, except to the extent such agreements are unenforceable under applicable insolvency or delinquency laws.

(C) The assuming insurer shall consent in writing to pay all final judgments, wherever enforcement is sought, obtained by a ceding insurer, that have been declared enforceable in the territory where the judgment was obtained.

(D) Each reinsurance agreement shall include a provision requiring the assuming insurer to provide security in an amount equal to one hundred percent (100%) of the assuming insurer's liabilities attributable to reinsurance ceded pursuant to that agreement if the assuming insurer resists enforcement of a final judgment that is enforceable under the law of the jurisdiction in which it was obtained or a properly enforceable arbitration award, whether obtained by the ceding insurer or by its legal successor on behalf of its estate, if applicable.

(E) The assuming insurer shall confirm that it is not presently participating in any solvent scheme of arrangement, which involves this state's ceding insurers, and shall agree to notify the ceding insurer and the Commissioner and to provide one hundred percent (100%) security to the ceding insurer consistent with the terms of the scheme should the assuming insurer enter into such a solvent scheme of arrangement. Such 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 this section and sections 38a-88-4 and 38a-88-4a of the Regulations of Connecticut State Agencies. For purposes of this section, "solvent scheme of arrangement" means a foreign or alien statutory or regulatory compromise procedure subject to requisite majority creditor approval and judicial sanction in the assuming insurer's home jurisdiction either to finally commute liabilities of duly noticed classed members or creditors of a solvent debtor, or to reorganize or restructure the debts and obligations of a solvent debtor on a final basis, and which may be subject to judicial recognition and enforcement of the arrangement by a governing authority outside the ceding insurer's home jurisdiction.

(F) The assuming insurer shall agree in writing to meet the applicable information filing requirements as set forth in subdivision (5) of this subsection.

(5) The assuming insurer or its legal successor shall provide, if requested by the Commissioner, on behalf of itself and any legal predecessors, the following documentation to the Commissioner:

(A) For the two years preceding entry into the reinsurance agreement and on an annual basis thereafter, the assuming insurer's annual audited financial statements, in accordance with the applicable law of the jurisdiction of its head office or domiciliary jurisdiction, as applicable, including the external audit report;

(B) For the two years preceding entry into the reinsurance agreement, the solvency and financial condition report or actuarial opinion, if filed with the assuming insurer's supervisor;

(C) Prior to entry into the reinsurance agreement and not more than semi-annually thereafter, an updated list of all disputed and overdue reinsurance claims outstanding for 90 days or more, regarding reinsurance assumed from ceding insurers domiciled in the United States; and

(D) Prior to entry into the reinsurance agreement and not more than semi-annually thereafter, information regarding the assuming insurer's assumed reinsurance by ceding insurer, ceded

reinsurance by the assuming insurer, and reinsurance recoverable on paid and unpaid losses by the assuming insurer to allow for the evaluation of the criteria set forth in subdivision (6) of this subsection.

(6) The assuming insurer shall maintain a practice of prompt payment of claims under reinsurance agreements. The lack of prompt payment shall be evidenced if any of the following criteria is met:

(A) More than fifteen percent (15%) of the reinsurance recoverables from the assuming insurer are overdue and in dispute as reported to the Commissioner;

(B) More than fifteen percent (15%) of the assuming insurer's ceding insurers or reinsurers have overdue reinsurance recoverable on paid losses of 90 days or more which are not in dispute and which exceed for each ceding insurer \$100,000, or as otherwise specified in a covered agreement; or

(C) The aggregate amount of reinsurance recoverable on paid losses which are not in dispute, but are overdue by 90 days or more, exceeds \$50,000,000, or as otherwise specified in a covered agreement.

(7) The assuming insurer's supervisory authority shall confirm to the Commissioner on an annual basis that the assuming insurer is in compliance with the requirements set forth in subdivisions (2) and (3) of this subsection.

(8) Nothing in this subsection precludes an assuming insurer from providing the Commissioner with information on a voluntary basis.

(d) The Commissioner shall timely create and publish a list of reciprocal jurisdictions.

(1) A list of reciprocal jurisdictions is published through the NAIC committee process. The Commissioner's list shall include any reciprocal jurisdiction as defined in subdivision (1) or (2) of subsection (b) of this section and the Commissioner shall consider any other reciprocal jurisdiction included on the NAIC list. The Commissioner may approve a jurisdiction that does not appear on the NAIC list of reciprocal jurisdictions as provided by applicable law, regulation, or in accordance with criteria published through the NAIC committee process.

(2) The Commissioner may remove a jurisdiction from the list of reciprocal jurisdictions upon a determination that the jurisdiction no longer meets one or more of the requirements of a reciprocal jurisdiction, as provided by applicable law, regulation, or in accordance with a process published through the NAIC committee process, except that the Commissioner shall not remove from the list a reciprocal jurisdiction as defined in subdivision (1) or (2) of subsection (b) of this section. Upon removal of a reciprocal jurisdiction from this list, credit for reinsurance ceded to an assuming insurer domiciled in that jurisdiction shall be allowed, if otherwise allowed pursuant to sections 38a-85 to 38a-87, inclusive, of the Connecticut General Statutes or sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies.

(e) The Commissioner shall timely create and publish a list of assuming insurers that have satisfied the conditions set forth in this section and to which cessions shall be granted credit in accordance with this section.

(1) If an NAIC accredited jurisdiction has determined that the conditions set forth in subsection (c) of this section have been met, the Commissioner has the discretion to defer to that jurisdiction's determination, and add such assuming insurer to the list of assuming insurers to which cessions shall be granted credit in accordance with this subsection. The Commissioner may accept financial documentation filed with another NAIC accredited jurisdiction or with the NAIC in satisfaction of the requirements of subsection (c) of this section.

(2) When requesting that the Commissioner defer to another NAIC accredited jurisdiction's determination, an assuming insurer must submit a properly executed Form RJ-1 (Appendix C of sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies), and additional information as the Commissioner may require. A state that has received such a request will notify other states through the NAIC committee process and provide relevant information with respect to the determination of eligibility.

(f) If the Commissioner determines that an assuming insurer no longer meets one or more of the requirements under this section, the Commissioner may revoke or suspend the eligibility of the assuming insurer for recognition under this section.

(1) While an assuming insurer's eligibility is suspended, no reinsurance agreement issued, amended or renewed after the effective date of the suspension qualifies for credit except to the extent that the assuming insurer's obligations under the contract are secured in accordance with section 38a-88-6 of the Regulations of Connecticut State Agencies.

(2) If an assuming insurer's eligibility is revoked, no credit for reinsurance may be granted after the effective date of the revocation with respect to any reinsurance agreements entered into by the assuming insurer, including reinsurance agreements entered into prior to the date of revocation, except to the extent that the assuming insurer's obligations under the contract are secured in a form acceptable to the Commissioner and consistent with the provisions of section 38a-88-6 of the Regulations of Connecticut State Agencies.

(g) Before denying statement credit or imposing a requirement to post security with respect to subsection (f) of this section or adopting any similar requirement that will have substantially the same regulatory impact as security, the Commissioner shall:

(1) Communicate to the ceding insurer, the assuming insurer, and the assuming insurer's supervisory authority that the assuming insurer no longer satisfies one of the conditions listed in subsection (c) of this section;

(2) Provide the assuming insurer with 30 days from the initial communication to submit a plan to remedy the defect, and 90 days from the initial communication to remedy the defect, except in exceptional circumstances in which a shorter period is necessary for policyholder and other consumer protection;

(3) After the expiration of 90 days or less, as set out in subdivision (2) of this subsection if the Commissioner determines that no or insufficient action was taken by the assuming insurer, the Commissioner may impose any of the requirements as set out in this subsection; and

(4) Provide a written explanation to the assuming insurer of any of the requirements set out in this subsection.

(h) If subject to a legal process of rehabilitation, liquidation or conservation, as applicable, the ceding insurer, or its representative, may seek and, if determined appropriate by the court in which the proceedings are pending, may obtain an order requiring that the assuming insurer post security for all outstanding liabilities.

Sec 3. Section 38a-88-5 of the Regulations of Connecticut State Agencies is amended to read as follows:

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

Pursuant to section 38a-85([g]h) 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) or (g) 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.

Sec. 4. Section 38a-88-10 of the Regulations of Connecticut State Agencies is amended to read as follows:

**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]38a-88-4b, 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)] (1) 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)] (2) Notwithstanding [subsection (a)] subdivision (1) 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)] (3) 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)] (4) Includes a provision pursuant to section [38a-85(g)] 38a-85(i) 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)] (5) Includes a proper reinsurance intermediary clause, if applicable, which stipulates that the credit risk for the intermediary is carried by the assuming insurer.

Sec. 5. The Regulations of Connecticut State Agencies are amended by adding appendix C to sections 38a-88-1 to 38a-88-12, inclusive, as follows:

**(NEW) Sec. Appendix C.**

FORM RJ-1  
CERTIFICATE OF REINSURER DOMICILED IN RECIPROCAL JURISDICTION

I, \_\_\_\_\_,

\_\_\_\_\_  
(name of officer) (title of officer)

of \_\_\_\_\_, the assuming  
insurer

(name of assuming insurer)

under a reinsurance agreement with one or more insurers domiciled in

\_\_\_\_\_, in order to be considered for approval in this state, hereby certify that  
(name of state)

\_\_\_\_\_  
(name of assuming insurer) (“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. The assuming insurer agrees that it will include such consent in each reinsurance agreement, if requested by the Insurance Commissioner of the State of Connecticut. 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, except to the extent such agreements are unenforceable under applicable insolvency or delinquency laws.

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

3. Agrees to pay all final judgments, wherever enforcement is sought, obtained by a ceding insurer, that have been declared enforceable in the territory where the judgment was obtained.

4. Agrees to provide prompt written notice and explanation if it falls below the minimum capital and surplus or capital or surplus ratio, or if any regulatory action is taken against it for serious noncompliance with applicable law.

5. Confirms that it is not presently participating in any solvent scheme of arrangement, which involves insurers domiciled in the State of Connecticut. If the assuming insurer enters into such an arrangement, the assuming insurer agrees to notify the ceding insurer and the Insurance Commissioner of the State of Connecticut, and to provide 100% security to the ceding insurer consistent with the terms of the scheme.

6. Agrees that in each reinsurance agreement it will provide security in an amount equal to 100% of the assuming insurer’s liabilities attributable to reinsurance ceded pursuant to that agreement if the assuming insurer resists enforcement of a final U.S. judgment, that is enforceable under the law of the territory in which it was obtained, or a properly enforceable arbitration award whether obtained by the ceding insurer or by its resolution estate, if applicable.

7. Agrees to provide the documentation in accordance with section 38a-88-4b(c)(5) of the Regulations of Connecticut State Agencies, if requested by the Insurance Commissioner of the State of Connecticut.

Dated: \_\_\_\_\_  
 \_\_\_\_\_  
 (name of assuming insurer)

BY: \_\_\_\_\_  
 (name of officer)

\_\_\_\_\_  
 \_\_\_\_\_  
 (title of officer)

Sec. 6. Appendices C and D to sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies are amended as follows:

**Sec. APPENDIX [C] D.**

Form CR-F – PART 1

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

1	3	4	5	6	7	8	9	10	11	12	13	14	15
Compan	name of	domiciliary	Assumed	Reinsurance	On	Contracting	Company	Assumed	Under	Funds	held	Amount	Amount
y	R	Ju	d	Loss	wn	s.	Co	P	P	B	o	As	of
Code	eins	risdi	P	es	Ca	6	mmis	remi	rem	y or	f	sets	A
or	ured	ction	rem	and	se	+	sions	ums	ium	D	C	Ple	sset
			ium	L	L	7	Pa	R		epos	re	dged	s
				oss	oss		yable	cei		ited	dit	or	



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Totals

**Sec. APPENDIX [D] E.**

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	3	4	5	6	7	8	9	10	11	12
Co mpan y Code or ID Nu mber	Ef fectiv e D ate	Na me of Re insure d	L oca tion	Typ e of Rei nsuran ce Ass umed	A mou nt of In For ce at E nd of Year	R ese rve	Pre mium s	Rei nsuran ce Pay able on Paid and Unp aid Los ses	Mod ified Coi nsuran ce Res erve	Fun ds Wit hheld Und er Coi nsuran ce
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	3	4	5	6	7	8	9	10	11	12
Co mpan y	Ef fectiv e D ate	Na me of	Do micilia ry	Typ e of	Pr emi ums	U nearn ed	Re serve Li abilit y	Rei nsuran ce Pay able on	Mo dified Coi nsuran ce	Fun ds Wit hheld
Totals										

Code or ID Number	Reinsured	Jurisdiction	Reinsurance Assumed	Premiums	Other Than Earned Premiums	Paid and Unpaid Losses	Reserve	Underwritten
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Totals

Form CR-S – PART 2

Reinsurance Recoverable on Paid and Unpaid Losses 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 Paid Losses	7 Unpaid Losses
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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	3 Effective Date	4 Name of Company	5 Location	6 Type of Reinsurance Ceded	7 Amount in Force at End of	8 Current Year	9 Premiums	10 Other Than Earned Premiums	11 Outstanding Surplus Relief	12 Paid	13 Modified Reserve	14 Funds Withheld Underwritten
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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	3	4	5	6	7	8	9	Outstan	12	13
Company	Effective Date	Name of Company	Location	Type	Premiums	Unearned Premiums (Estimated)	Reserve Credit	Outstanding Surplus Relief	Modified	Funds
Company	Date	Company				Unearned Premiums (Estimated)	Reserve Credit	Outstanding Surplus Relief	Modified	Funds
ID Number							Other than Unearned Premiums	Current Year	Previous Year	Withheld Under Other Insurance

R-39 Rev. 02/2012

**Statement of Purpose**

The purpose of this proposed regulation is to adopt the most recent version of the National Association of Insurance Commissioners (NAIC) model regulation. Such version, and these proposed changes, allows credit for reinsurance ceded by a domestic insurer to an assuming insurer in a reciprocal jurisdiction, as defined in this regulation. These proposed changes include financial requirements for all assuming insurers. Revise using guidance from NAIC.

**IMPORTANT NOTICE FOR CONNECTICUT STATE AGENCIES**

This form is to be used for proposed permanent and technical amendment regulations only and must be completed in full.

**AGENCY CERTIFICATION****Connecticut Insurance Department**

Proposed Regulation Concerning

**Credit for Reinsurance - Reciprocal Jurisdiction**eRegulations System Tracking Number **PR2021-013****I hereby certify the following:**

(1) The above-referenced **regulation** is proposed pursuant to the following statutory authority or authorities: **Conn. Gen. Stat. section 38a-88.**

*For technical amendment regulations proposed without a comment period, complete #2 below, then skip to #8.*

(2) As permitted by Section 4-168(h) of the *Connecticut General Statutes*, the agency elected to proceed without prior notice or hearing and posted the text of the proposed technical amendment regulation on eRegulations System website on **N/A.**

*For all other non-emergency proposed regulations, complete #3 - #7 below, then complete #8)*

(3) The agency posted notice of intent with a specified comment period of not less than 30 days to the eRegulations System website on **July 29, 2021.**

(4) *(Complete one)*  No public hearing held or was required to be held. **OR**  One or more public hearings were held on: **N/A.**

(5) The agency posted notice of decision to move forward with the proposed regulation to the eRegulations System website on **September 16, 2021.**

(6) *(Complete one)*  No comments were received. **OR**  Comments were received and the agency posted the statements specified in subdivisions (1) and (2) of CGS Section 4-168(e) to the eRegulations System website on **September 16, 2021.**

(7) The final wording of the proposed regulation was posted to the eRegulations System website on **February 23, 2022.**

(8) Subsequent to approval for legal sufficiency by the Attorney General and approval by the Legislative Regulation Review Committee, **the final regulation shall be effective**

*(Check one and complete as applicable)*

When posted to the eRegulations System website by the Secretary of the State.

**OR**  On \_\_\_\_\_

*(Date must be a specific calendar date not less than 11 days after submission to the Secretary of the State)*

**SIGNED**

  
(Head of Board, Agency or Commission,  
or duly authorized deputy)

**Commissioner**  
OFFICIAL TITLE

**2/23/2022**  
DATE

# OFFICE OF THE ATTORNEY GENERAL REGULATION CERTIFICATION

**Agency: Connecticut Insurance Department**

***REGULATION NUMBER PR2021-013***

**This Regulation is hereby APPROVED by the Attorney General as to legal sufficiency in accordance with Connecticut General Statutes § 4-169.**

**DATE: March 4, 2022**

**Signed:**

Joseph Rubin, Asst. Dep. A.G.  
Date: 2022.03.04 09:49:00  
-05'00'

***Joseph Rubin  
Assistant Deputy Attorney General  
Duly Authorized***

# The Connecticut General Assembly

## Legislative Regulation Review Committee

Senator James Maroney  
Senate Chair



Representative Nicole Klarides-Ditria  
House Chair

### Official Record of Committee Action

April 26, 2022

Agency: Insurance Department  
Description: Credit for Reinsurance  
LRRC Regulation Number: 2021-017A  
eRegulation Tracking Number: PR2021-013

The above-referenced regulation has been

### Approved with Technical Corrections

by the Legislative Regulation Review Committee in accordance  
with CGS Section 4-170.

Kirstin L. Breiner  
Committee Administrator



State of Connecticut  
Office of the Secretary of the State

## Confirmation of Electronic Submission

Re: Regulation of the Insurance Department concerning Credit for Reinsurance  
eRegulations System Tracking Number PR2021-013  
Legislative Regulation Review Committee Docket Number 2021-017A

The above-referenced regulation was electronically submitted to the Office of the Secretary of the State in accordance with Connecticut General Statutes Section 4-172 on April 29, 2022.

Said regulation is assigned Secretary of the State File Number 6359.

The effective date of this regulation is May 18, 2022.

A handwritten signature in black ink that reads "Denise W. Merrill".

Denise W. Merrill  
Secretary of the State  
May 18, 2022

By:

/s/ Christopher R. Drake  
Christopher R. Drake  
Director, Business Services  
Division