



Governor Mike Dunleavy
STATE OF ALASKA

February 17, 2021

The Honorable Peter Micciche
Senate President
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Micciche:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill updating the insurance code to conform to changes in the credit for reinsurance model law adopted by the National Association of Insurance Commissioners (NAIC). This will ensure Alaska maintains its accredited status with the NAIC and improve nationwide uniformity in the regulation of insurance.

Reinsurance is a type of insurance that insurers purchase from other insurers to insure themselves, in all or in part, against contracted insurance risk. In doing so, insurers distribute risks among themselves. Credit for reinsurance is an accounting method that allows reinsurance to be treated as an asset.

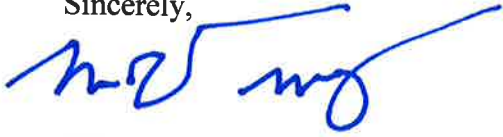
This bill allows United States reinsurers easier financial access to qualified alien jurisdictions and assists in making the Alaska insurance market more competitive by allowing qualified and well-capitalized alien insurers to compete in United States' markets on a more equitable basis. Specifically, the bill makes changes to AS 21.12.020 Reinsurance Credit Allowed a Domestic Ceding Insurer, to conform our state insurance code to recent changes made in NAIC's reinsurance model law.

There are potentially severe consequences if the legislation and accompanying regulations are not adopted before September 2022. The Federal Office of Insurance (OIC) has negotiated a treaty with the European Union guaranteeing that each jurisdiction will enact the legislation. States risk significant loss of sovereignty in insurance regulation should the OIC begin a formal review and find that a jurisdiction is out of treaty compliance. In that instance, OIC could use federal legislation to preempt local laws across all jurisdictions.

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The changes contained in this proposal will ensure that Alaska's insurance market remains competitive and current with national standards and accreditation.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Dunleavy", with a long horizontal flourish extending to the right.

Mike Dunleavy
Governor

Enclosure

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:

Referred:

A BILL**FOR AN ACT ENTITLED**

1 **"An Act relating to credit for reinsurance; and providing for an effective date."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * **Section 1.** AS 21.12.020(a) is amended to read:

4 (a) Credit for reinsurance transactions is allowed a domestic ceding insurer as
5 either an asset or a deduction from liability because of reinsurance ceded only when
6 the reinsurer meets the requirements of (1) - (7) [(6)] of this subsection. The director
7 may, by regulation adopted under (g)(2) of this section, specify additional
8 requirements relating to, or setting out, the valuation of assets or reserve credits, the
9 amount and forms of security supporting reinsurance arrangements described in (g)(2)
10 of this section, and the circumstances under which credit will be reduced or
11 eliminated. Credit is allowed under (1) - (3) of this subsection with respect to cessions
12 of a kind or class of business that the assuming insurer is licensed or permitted to write
13 or assume in its state of domicile or, in the case of a United States branch of an alien
14 assuming insurer, in the state through which it is entered and licensed to transact
15 insurance or reinsurance. Credit is allowed under (3) or (4) of this subsection only if

1 the applicable requirements in (b) of this section have been satisfied. Credit is allowed
2 when the reinsurance is ceded to an assuming insurer that

3 (1) is licensed to transact insurance or reinsurance in this state;

4 (2) is accredited by the director as a reinsurer in this state; an
5 accredited reinsurer is one that

6 (A) files with the director evidence of submission to this state's
7 jurisdiction, submits to this state's authority to examine its books and records,
8 is licensed to transact insurance or reinsurance in at least one state that is
9 accredited by the National Association of Insurance Commissioners, or, in the
10 case of a United States branch of an alien admitted insurer, is entered through
11 and licensed to transact insurance or reinsurance in at least one state that is
12 accredited by the National Association of Insurance Commissioners;

13 (B) demonstrates to the satisfaction of the director that it has
14 adequate financial capacity to meet its reinsurance obligations and is otherwise
15 qualified to assume reinsurance from domestic insurers; an assuming insurer is
16 considered to meet the requirement at the time of application if the assuming
17 insurer maintains at least \$20,000,000 in policyholder surplus and the
18 assuming insurer's accreditation has not been denied by the director within 90
19 days after application to the director; and

20 (C) files annually with the director a copy of the reinsurer's
21 annual statement filed with the insurance supervisory official of the reinsurer's
22 state of domicile and a copy of the reinsurer's most recent audited financial
23 statement;

24 (3) is domiciled in a state or, in the case of a United States branch of
25 an alien assuming insurer, is entered through a state accredited by the National
26 Association of Insurance Commissioners that employs standards regarding credit for
27 reinsurance ceded substantially similar to those applicable under (1) and (2) of this
28 subsection, maintains a policyholder surplus of at least \$20,000,000, and submits to
29 the authority of this state to examine its books and records; the surplus requirements in
30 this paragraph do not apply to reinsurance ceded and assumed under a pooling
31 arrangement among insurers in the same holding company system;

1 (4) maintains a trust fund in a qualified United States financial
2 institution for the payment of the valid claims of the assuming insurer's United States
3 domiciled ceding insurers, and their assigns and successors; credit for reinsurance
4 under this paragraph shall be granted only if the following requirements are met:

5 (A) the trust and each amendment to the trust is established in a
6 form approved by the insurance supervisory official of the state where the trust
7 is domiciled or the insurance supervisory official of another state who, under
8 the terms of the trust instrument, has accepted responsibility for regulatory
9 oversight of the trust; the form of the trust and each trust amendment is filed
10 with the insurance supervisory official of every state in which the beneficiaries
11 of the trust are domiciled; the trust instrument provides that contested claims
12 are valid and enforceable upon the final order of any court of competent
13 jurisdiction in the United States; the trust vests legal title to its assets in the
14 trustees of the trust for its United States domiciled ceding insurers, their
15 assigns, and successors in interest; the trust and the assuming insurer are
16 subject to examination as determined by the director; the trust remains in effect
17 for so long as the assuming insurer has outstanding liabilities due under the
18 reinsurance agreements subject to the trust;

19 (B) on or before March 1 of each year, the trustees report in
20 writing to the director on the balance of the trust, list the trust's investments at
21 the end of the preceding year, and certify the date of termination of the trust, if
22 so planned, or certify that the trust does not expire before the following
23 December 31;

24 (C) in the case of a single assuming insurer, the trust consists of
25 trust assets not less than the assuming insurer's liabilities attributable to
26 reinsurance ceded by the United States domiciled ceding insurers and, in
27 addition, except as provided in (D) of this paragraph, the assuming insurer
28 maintains a trust surplus of not less than \$20,000,000 for the benefit of the
29 United States domiciled ceding insurers as additional security for the liabilities
30 covered by the trust; the single assuming insurer shall make available to the
31 director an annual certification of the insurer's solvency by an independent

1 certified public accountant or an accountant holding a substantially equivalent
2 designation as determined by the director; at any time after the assuming
3 insurer permanently discontinues underwriting new business secured by a trust
4 for not less than three years, the insurance supervisory official with principal
5 regulatory oversight of the trust may authorize a reduction in the required
6 trusteed surplus if, based on an assessment of the risk, the insurance
7 supervisory official finds that the new required surplus level is adequate for the
8 protection of United States domiciled ceding insurers, policyholders, and
9 claimants in light of reasonably foreseeable adverse loss development; the risk
10 assessment may involve an actuarial review, including an independent analysis
11 of reserves and cash flows, and must consider all material risk factors,
12 including, when applicable, the lines of business involved, the stability of the
13 incurred loss estimates, and the effect of the surplus requirements on the
14 assuming insurer's liquidity or solvency; the minimum required trusteed
15 surplus may not be reduced to an amount less than 30 percent of the assuming
16 insurer's liabilities attributable to reinsurance ceded by United States domiciled
17 ceding insurers covered by the trust;

18 (D) in the case of a group, including incorporated and
19 individual unincorporated insurers,

20 (i) the trust consists of, for reinsurance ceded under the
21 reinsurance agreements with an inception, amendment, or renewal date
22 on or after January 1, 1993, a trusteed account in an amount not less
23 than the respective insurers' several liabilities attributable to business
24 ceded by United States domiciled ceding insurers to any insurer of the
25 group, for reinsurance ceded under reinsurance agreements with an
26 inception date on or before December 31, 1992, and not amended or
27 renewed after that date, notwithstanding the other provisions of this
28 section, a trusteed account not less than the respective insurers' several
29 insurance and reinsurance liabilities attributable to business written in
30 the United States, and, in addition to an applicable trust described in
31 this sub-subparagraph, trust assets representing the group's liabilities

1 attributable to business ceded by United States domiciled ceding
2 insurers include a trust surplus not less than \$100,000,000 held jointly
3 for the benefit of the United States domiciled ceding insurers of any
4 member of the group for all years of account as additional security for
5 the group's liabilities covered by the trust; and

6 (ii) the incorporated members of the group are not
7 engaged in any business other than underwriting as a member of the
8 group and are subject to the same level of solvency regulation and
9 control by the group's domiciliary regulator as the unincorporated
10 members; within 90 days after the group's financial statements are due
11 to be filed with the group's domiciliary regulator, the group shall make
12 available to the director an annual certification of the solvency of each
13 insurer by the group's domiciliary regulator or, if the certification is
14 unavailable, financial statements, prepared by an independent certified
15 public accountant, or an accountant holding a substantially equivalent
16 designation as determined by the director, for each underwriter member
17 of the group;

18 (E) in the case of a group of incorporated insurers under
19 common administration that has continuously transacted an insurance business
20 outside the United States for at least three years immediately before making
21 application for accreditation and that has aggregate policyholders' surplus of
22 \$10,000,000,000 or more, the trust consists of trust assets in an amount not less
23 than the group's several liabilities attributable to business ceded by United
24 States domiciled ceding insurers to a member of the group under reinsurance
25 contracts issued in the name of the group, and the group

26 (i) maintains a joint trustee surplus, of which
27 \$100,000,000 is held jointly for the benefit of United States domiciled
28 ceding insurers of a member of the group as additional security for the
29 group's liabilities covered by the trust;

30 (ii) not later than 90 days after the group's financial
31 statements are due to be filed with the group's domiciliary regulator,

1 ensures each member of the group makes available to the director an
2 annual certification of the underwriter member's solvency by the
3 member's domiciliary regulator and financial statement of each
4 underwriter member prepared by the member's independent certified
5 public accountant or an accountant holding a substantially equivalent
6 designation as determined by the director; and

7 (iii) submits to examination of its books and records by
8 the director and bears the expense of the examination;

9 (F) the assuming insurer reports annually to the director
10 information substantially the same as that required to be reported on the
11 National Association of Insurance Commissioners' annual statement form by
12 licensed insurers;

13 (5) is eligible for certification by the director as a reinsurer in this state
14 if the assuming insurer secures its obligations under the following requirements:

15 (A) the assuming insurer must

16 (i) be domiciled and licensed to transact insurance or
17 reinsurance in a qualified jurisdiction;

18 (ii) maintain minimum capital and surplus, or its
19 equivalent, in an amount set out in regulations adopted by the director;

20 (iii) maintain financial strength ratings from two or
21 more rating agencies as required under regulations adopted by the
22 director;

23 (iv) agree to submit to the jurisdiction of this state and
24 agree to provide security for 100 percent of the assuming insurer's
25 liabilities attributable to reinsurance ceded by United States domiciled
26 ceding insurers if the assuming insurer resists enforcement of a final
27 United States judgment;

28 (v) agree to meet applicable information filing
29 requirements as determined by the director, both with respect to an
30 initial application for certification and on an ongoing basis; and

31 (vi) satisfy other requirements for certification as

1 required by the director;

2 (B) in addition to satisfying the requirements under (A) of this
3 paragraph, an association, including an incorporated underwriter and an
4 individual unincorporated underwriter,

5 (i) shall satisfy the association's minimum capital and
6 surplus requirements through the capital and surplus equivalents, net of
7 liabilities, of the association and the association's members, which must
8 include a joint central fund that may be applied to any unsatisfied
9 obligation of the association or a member of the association, in an
10 amount determined by the director to provide adequate protection;

11 (ii) may not engage in any business other than
12 underwriting as a member of the association and be subject to the same
13 level of regulation and solvency control by the association's domiciliary
14 regulator as are the unincorporated members; and

15 (iii) shall, not later than 90 days after the association's
16 financial statements are filed with the association's domiciliary
17 regulator, provide to the director an annual certification by the
18 association's domiciliary regulator of the solvency of each underwriter
19 member, or, if a certification is unavailable, financial statements
20 prepared by independent public accountants of each underwriter
21 member of the association;

22 (C) the director shall create and publish a list of qualified
23 jurisdictions under which an assuming insurer licensed and domiciled in a
24 qualifying jurisdiction is eligible to be considered for certification by the
25 director as a certified reinsurer, subject to the following provisions:

26 (i) to determine whether the domiciliary jurisdiction of
27 an alien assuming insurer is eligible to be recognized as a qualified
28 jurisdiction, the director shall evaluate the appropriateness and
29 effectiveness of the reinsurance supervisory system of the jurisdiction,
30 both initially and on an ongoing basis, and consider the rights, benefits,
31 and the extent of reciprocal recognition afforded by the jurisdiction to

1 reinsurers licensed and domiciled in the United States; a qualified
2 jurisdiction shall agree to share information and cooperate with the
3 director with respect to all certified reinsurers domiciled within that
4 jurisdiction; the director may not recognize a jurisdiction as a qualified
5 jurisdiction if the director determines that the jurisdiction does not
6 adequately and promptly enforce final United States judgments and
7 arbitration awards; the director may consider additional factors when
8 making an eligibility determination under this subparagraph;

9 (ii) the director shall consider the list of qualified
10 jurisdictions published through the committee process of the National
11 Association of Insurance Commissioners; if the director approves as
12 qualified a jurisdiction that does not appear on the list of qualified
13 jurisdictions, the director shall provide thoroughly documented
14 justification for the approval under criteria set out in regulations
15 adopted by the director;

16 (iii) the director shall recognize a United States
17 jurisdiction that meets the requirement for accreditation under the
18 National Association of Insurance Commissioners financial standards
19 and accreditation program as a qualified jurisdiction;

20 (iv) the director, in lieu of revocation, may suspend a
21 reinsurer's certification indefinitely if the certified reinsurer's
22 domiciliary jurisdiction ceases to be a qualified jurisdiction;

23 (D) the director shall assign a rating to each certified reinsurer,
24 giving due consideration to the financial strength ratings that have been
25 assigned by rating agencies considered acceptable under regulations adopted
26 by the director;

27 (E) a certified reinsurer shall secure obligations assumed from
28 United States domiciled ceding insurers under this subsection at a level
29 consistent with the reinsurer's rating, as specified under regulations adopted by
30 the director and subject to the following requirements:

31 (i) for a domestic ceding insurer to qualify for full

1 financial statement credit for reinsurance ceded to a certified reinsurer,
2 the certified reinsurer shall maintain security in a form acceptable to the
3 director and consistent with (c) of this section or in a multibeneficiary
4 trust under (4) of this subsection, except as otherwise provided in this
5 paragraph;

6 (ii) if a certified reinsurer maintains a trust to secure
7 fully the reinsurer's obligations subject to (4) of this subsection and
8 chooses to secure its obligations incurred as a certified reinsurer in the
9 form of a multibeneficiary trust, the certified reinsurer shall maintain
10 separate trust accounts for its obligations incurred under reinsurance
11 agreements issued or renewed as a certified reinsurer with reduced
12 security as permitted under this subsection or comparable laws of other
13 United States jurisdictions and for its obligations subject to (4) of this
14 subsection; a certified reinsurer shall, as a condition of the grant of
15 certification under this paragraph, bind itself, by the language of the
16 trust and agreement with the insurance supervisory official with
17 principal regulatory oversight of the trust account, to use the remaining
18 surplus of a terminated trust account for a deficiency in any other trust
19 account of the certified reinsurer;

20 (iii) the minimum trustee surplus requirements under
21 (4) of this subsection are not applicable to a multibeneficiary trust
22 maintained by a certified reinsurer for the purpose of securing
23 obligations incurred under this subsection, except that the
24 multibeneficiary trust shall maintain a minimum trustee surplus of
25 \$10,000,000;

26 (iv) if the obligations incurred by a certified reinsurer
27 under this subsection are insufficiently secured, the director shall
28 reduce the allowable credit by an amount proportionate to the
29 deficiency and may impose further reductions in allowable credit if the
30 director finds that there is a material risk that the certified reinsurer's
31 obligations will not be paid in full when due;

(v) for purposes of this subparagraph, a certified reinsurer whose certification is terminated for any reason is considered to be a certified reinsurer that is required to secure 100 percent of the reinsurer's obligations; however, if the director continues to assign a higher rating as permitted under other provisions of this section, the requirement to secure 100 percent of the reinsurer's obligations does not apply to a certified reinsurer in inactive status or to a reinsurer whose certification has been suspended; in this sub-subparagraph, "terminated" means revoked, suspended, voluntarily surrendered, or in inactive status;

(F) if an applicant for certification is certified as a reinsurer in a jurisdiction accredited by the National Association of Insurance Commissioners, the director may defer to that jurisdiction's certification and to the rating assigned to the applicant by the jurisdiction; the assuming insurer shall be considered to be a certified reinsurer in this state;

(G) a certified reinsurer that ceases to assume new business in this state may request to maintain its certification in inactive status in order to continue to qualify for a reduction in security for its in-force business; an inactive certified reinsurer shall continue to comply with all applicable requirements of this subsection, and the director shall assign a rating that takes into account, if relevant, the reasons the reinsurer is not assuming new business;

(6) meets the following conditions:

(A) the assuming insurer shall have its head office or be domiciled in a reciprocal jurisdiction;

(B) the assuming insurer shall have and maintain on an ongoing basis minimum capital and surplus, or its equivalent, calculated according to the methodology of its domiciliary jurisdiction, in an amount set out in regulation; if the assuming insurer is an association, including incorporated and individual unincorporated underwriters, the assuming insurer shall have and maintain on an ongoing basis minimum capital and

1 surplus, net of liabilities, calculated according to the methodology of its
2 domiciliary jurisdiction, and a central fund containing a balance in an
3 amount set out in regulation;

4 (C) the assuming insurer shall have and maintain on an
5 ongoing basis a minimum solvency or capital ratio in an amount set out in
6 regulation; if the assuming insurer is an association, including
7 incorporated and individual unincorporated underwriters, the assuming
8 insurer shall have and maintain on an ongoing basis a minimum solvency
9 or capital ratio in the reciprocal jurisdiction where the assuming insurer
10 has its head office or is domiciled and licensed;

11 (D) the assuming insurer shall agree to and provide
12 adequate assurance to the director in a form specified by the director in
13 regulation as follows:

14 (i) the assuming insurer shall provide prompt
15 written notice and explanation to the director if it falls below the
16 minimum requirements described in (B) or (C) of this paragraph,
17 or if any regulatory action is taken against it for serious
18 noncompliance with applicable law;

19 (ii) the assuming insurer shall consent in writing to
20 the jurisdiction of the courts of this state and to the appointment of
21 the director as agent for service of process; the director may
22 require that consent for service of process be provided to the
23 director and included in each reinsurance agreement; nothing in
24 this sub-subparagraph shall limit or in any way alter the capacity
25 of parties to a reinsurance agreement to agree to alternative
26 dispute resolution mechanisms, except to the extent the agreements
27 are unenforceable under applicable insolvency or delinquency
28 laws;

29 (iii) the assuming insurer shall consent in writing to
30 pay all final judgments, wherever enforcement is sought, obtained
31 by a ceding insurer or its legal successor, that have been declared

1 enforceable in the jurisdiction where the judgment was obtained;

2 (iv) each reinsurance agreement must include a
3 provision requiring the assuming insurer to provide security in an
4 amount equal to 100 percent of the assuming insurer's liabilities
5 attributable to reinsurance ceded under that agreement if the
6 assuming insurer resists enforcement of a final judgment that is
7 enforceable under the law of the jurisdiction in which it was
8 obtained or a properly enforceable arbitration award, whether
9 obtained by the ceding insurer or by its legal successor on behalf of
10 its resolution estate; and

11 (v) the assuming insurer shall confirm that it is not
12 presently participating in any solvent scheme of arrangement that
13 involves this state's ceding insurers and agree to notify the ceding
14 insurer and the director and to provide security in an amount
15 equal to 100 percent of the assuming insurer's liabilities to the
16 ceding insurer, should the assuming insurer enter into a solvent
17 scheme of arrangement; a security must be in a form consistent
18 with the provisions of (5) of this subsection and (c) of this section
19 and as specified by the director in regulation;

20 (E) the assuming insurer or its legal successor shall provide,
21 if requested by the director, on behalf of itself and any legal predecessors,
22 certain documentation to the director as specified by the director in
23 regulation;

24 (F) the assuming insurer shall maintain a practice of
25 prompt payment of claims under reinsurance agreements under criteria
26 set out in regulation;

27 (G) the assuming insurer's supervisory authority shall
28 confirm to the director on an annual basis as of December 31 of the
29 preceding year or at the annual date otherwise statutorily reported to the
30 reciprocal jurisdiction, that the assuming insurer complies with the
31 requirements in (B) and (C) of this paragraph;

(H) nothing in this paragraph precludes an assuming insurer from providing the director with information on a voluntary basis;

(7) does not meet the requirements of (1) - (6) [(5)] of this subsection, but only with respect to the insurance of risks located in jurisdictions where the reinsurance is required by applicable law or regulation of that jurisdiction.

* Sec. 2. AS 21.12.020(g) is amended to read:

(g) The director may adopt regulations

(1) to implement this section; and

(2) relating to reinsurance arrangements, subject to the following provisions:

(A) a regulation adopted under this paragraph may apply only to reinsurance relating to

(i) a life insurance policy with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits;

(ii) a universal life insurance policy with provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guaranteed period;

(iii) a variable annuity with guaranteed death or living benefits;

(iv) a long-term care insurance policy; or

(v) other life insurance, health insurance, and annuity products for which the National Association of Insurance Commissioners adopts model regulatory requirements with respect to credit for reinsurance;

(B) a regulation adopted under (A)(i) or (ii) of this paragraph applies to a treaty containing a policy issued (i) on or after January 1, 2015, and (ii) before January 1, 2015, if the risk pertaining to the policy is ceded, in whole or in part, in connection with the treaty on or after January 1, 2015; in this subparagraph, "treaty" means a contract in which a reinsurance company agrees to accept and an insurance company agrees to cede all of a particular

1 type of risk within a specific class of insurance policies;

2 (C) the director may adopt a regulation under this paragraph to
 3 require a ceding insurer, in calculating the amounts or forms of security
 4 required to be held under regulations adopted under the authority of this
 5 paragraph, to use the edition of the valuation manual adopted by the National
 6 Association of Insurance Commissioners in effect on the date on which the
 7 calculation is made, to the extent applicable;

8 (D) a regulation adopted under this paragraph does not apply to
 9 cessions to an assuming insurer that is certified in this state, meets the
 10 conditions set out in (a)(6) of this section, or meets the following criteria:

11 (i) maintains at least \$250,000,000 in capital and
 12 surplus as determined under the most recent edition of the National
 13 Association of Insurance Commissioners Accounting Practices and
 14 Procedures Manual, including the effect of any permitted or prescribed
 15 practices; and

16 (ii) is licensed in not fewer than 26 states, or licensed in
 17 not fewer than 10 states and licensed or accredited in a total of not
 18 fewer than 35 states;

19 (E) nothing in this paragraph limits the director's authority to
 20 adopt regulations under (1) of this subsection.

21 * **Sec. 3.** AS 21.12.020(h) is amended by adding a new paragraph to read:

22 (3) "reciprocal jurisdiction" means a jurisdiction that is

23 (A) not a United States jurisdiction that is subject to an in-force
 24 covered agreement with the United States, each within its legal authority, or in
 25 the case of a covered agreement between the United States and the European
 26 Union, is a member state of the European Union; for purposes of this
 27 subparagraph, a covered agreement is an agreement entered into under 31
 28 U.S.C. 313 - 314 (Dodd-Frank Wall Street Reform and Consumer Protection
 29 Act) that is currently in effect or in a period of provisional application and
 30 addresses the elimination, under specified conditions, of collateral
 31 requirements as a condition for entering into any reinsurance agreement with a

1 ceding insurer domiciled in this state or for allowing the ceding insurer to
2 recognize;

3 (B) a United States jurisdiction that meets the requirements for
4 accreditation under the National Association of Insurance Commissioners
5 financial standards and accreditation program; or

6 (C) a qualified jurisdiction, as determined by the director under
7 (a)(5)(C) of this section, that is not otherwise described in (A) and (B) of this
8 paragraph and that meets certain additional requirements, consistent with the
9 terms and conditions of in-force covered agreements, as specified by the
10 director in regulation.

11 * **Sec. 4.** AS 21.12.020 is amended by adding a new subsection to read:

12 (i) The director shall consider the list of reciprocal jurisdictions published
13 through the National Association of Insurance Commissioners committee process in
14 determining a reciprocal jurisdiction and has the discretion to defer to the list. The
15 director may approve a jurisdiction not on the list in accordance with criteria
16 developed under regulations adopted by the director. The director may remove a
17 jurisdiction from the list of reciprocal jurisdictions upon determination that the
18 jurisdiction no longer meets the requirements of a reciprocal jurisdiction in accordance
19 with a process set out in regulation by the director. Upon removal of a reciprocal
20 jurisdiction from the list, credit for reinsurance ceded to an assuming insurer that has a
21 home office or is domiciled in that jurisdiction shall be allowed if otherwise allowed
22 under this section. The director shall timely create and publish a list of assuming
23 insurers that have satisfied the conditions set out in this subsection and to which
24 cessions shall be granted credit in accordance with (a) of this section. The director
25 may add an assuming insurer to a list if a National Association of Insurance
26 Commissioners accredited jurisdiction has added the assuming insurer to a list of
27 assuming insurers or, if upon initial eligibility, the assuming insurer submits the
28 information to the director as required under (a)(6)(D) of this section and complies
29 with any additional requirements the director may impose by regulation. If the director
30 determines that an assuming insurer no longer meets one or more of the requirements
31 of (a)(6) of this section, the director may revoke or suspend the eligibility of the

1 assuming insurer under (a)(6) of this section in accordance with procedures set out in
 2 regulation. While an assuming insurer's eligibility is suspended, a reinsurance
 3 agreement issued, amended, or renewed after the effective date of the suspension does
 4 not qualify for credit except to the extent that the assuming insurer's obligations under
 5 the contract are secured in accordance with (c) of this section. If an assuming insurer's
 6 eligibility is revoked, a credit for reinsurance may not be granted after the effective
 7 date of the revocation with respect to any reinsurance agreement entered into by the
 8 assuming insurer, including a reinsurance agreement entered into before the date of
 9 revocation, except to the extent that the assuming insurer's obligations under the
 10 contract are secured in a form acceptable to the director and consistent with (c) of this
 11 section. Upon entry of an order of rehabilitation, liquidation, or conservation against
 12 the ceding insurer, the supervising court shall require an assuming insurer under (a)(6)
 13 of this section to post 100 percent security for the benefit of the ceding insurer or its
 14 estate. Nothing in this subsection shall limit or in any way alter the capacity of parties
 15 to a reinsurance agreement to agree on requirements for security or other terms in that
 16 reinsurance agreement consistent with this section. Credit under (a)(6) of this section
 17 may be taken only for reinsurance agreements entered into, renewed, or amended on
 18 or after the date the director has determined that the assuming insurer is eligible for
 19 credit, and may not be taken for reinsurance of losses incurred or reserves reported
 20 before that date. Credit under (a)(6) of this section may not apply to reinsurance
 21 agreements entered into, to losses incurred, or to reserves posted before application
 22 under (a)(6) of this section.

23 * **Sec. 5.** The uncoded law of the State of Alaska is amended by adding a new section to
 24 read:

25 TRANSITION; REGULATIONS. The director of the division of insurance may adopt
 26 regulations necessary to implement the changes made by this Act. The regulations take effect
 27 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law
 28 implemented by the regulation.

29 * **Sec. 6.** Section 5 of this Act takes effect immediately under AS 01.10.070(c).

Fiscal Note

State of Alaska
2021 Legislative Session

Bill Version: GB 44
Fiscal Note Number: _____
() Publish Date: _____

Identifier: LL0584-1-DCCED-DOI-02-09-21
Title: Credit For Reinsurance
Sponsor: Rules by Request of the Governor
Requester: Governor

Department: Department of Commerce, Community and
Economic Development
Appropriation: Insurance Operations
Allocation: Insurance Operations
OMB Component Number: 354

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2022	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2021) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2022) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Date: 02/04/2021 12:07 PM
Date: 02/09/21

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2021 LEGISLATIVE SESSION

BILL NO. _____

Analysis

This legislation allows U.S. reinsurers easier financial access to qualified alien jurisdictions and makes reinsurance markets in the U.S. more competitive by allowing qualified and well-capitalized alien reinsurers to compete in the U.S. market on a more equitable basis.

The legislation is modeled on the Credit for Reinsurance Model Law #785 developed by the National Association of Insurance Commissioners (NAIC). NAIC's Model Law #785 is being enacted across all 50 states and six territories. It is expected that each jurisdiction will enact Model Law #785 by September 2022.

The Division of Insurance does not anticipate fiscal impact from this legislation.