

Federal Reinsurance Reform Headlines Legislative Activity

BY KAREN BENSON

Action by the U.S. House of Representatives highlights our latest update on legislative and regulatory activity of interest to the reinsurance industry.

Federal Reinsurance: The U.S. House of Representatives unanimously adopted *The Nonadmitted and Reinsurance Reform Act of 2009* (H.R. 2571). The principal provisions of the bill: (1) regulate premium taxes for nonadmitted insurance; (2) provide that the placement of nonadmitted insurance shall be subject to regulation solely by the insured's home state; (3) limit the ability of a state to establish eligibility requirements for U.S.-domiciled nonadmitted insurers that vary from the Non-Admitted Insurance Model Act; (4) require a GAO study of the nonadmitted insurance market; (5) regulate the extent to which a state may not recognize credit for reinsurance for an insurer's ceded risk; (6) partially pre-empt the extraterritorial application of the law of a state to a ceding insurer not domiciled in that state; and (7) provide that in most circumstances a state that is the domicile of a reinsurer shall be solely responsible for regulating its financial solvency. The bill was received in the Senate and referred to the Committee on Banking, Housing, and Urban Affairs on September 10, 2009.

Other reinsurance legislation (H.R. 3424) introduced in the U.S. House of Representatives seeks to amend the Internal Revenue Code of 1986 to disallow the deduction for excess non-taxed reinsurance premiums paid to affiliates with respect to U.S. risks.

Federal Catastrophe: *The Commission on Catastrophic Disaster Risk and Insurance Act of 2009* (S. 1487) proposes to establish a bipartisan commission on catastrophic disaster risk and insurance. The *Policyholder Disaster Protection Act of 2009* (S.1486) proposes to amend the Internal Revenue Code of 1986 to allow property



Many hands working on reinsurance reform

and casualty insurance companies to create disaster protection funds for the payment of policyholders' claims arising from future catastrophic events.

State Reinsurance: The Oregon Division of Insurance (DOI) adopted Oregon temporary administrative rule (OAR) 836-012-0331 concerning the treatment of reinsurance reserve credits or assets under agreements prior to November 9, 1995. The temporary rule replaces OAR 836-012-0330, which, according to the DOI, was apparently repealed in error. The repeal of that rule had removed the prohibition on an insurer reporting reserve credits or assets established with respect to existing reinsurance agreements entered into prior to the effective date of the Life and Health Reinsurance Agreements Model Regulation (OAR 836-012-0300 to 836-012-0330). According to the DOI, the repeal violated the Reinsurance Ceded accreditation standard, Part A, 10(m). In order to remain accredited, the DOI was required to adopt the temporary rule. The temporary rule provides that any reserve credits or assets established with respect to existing reinsurance agreements entered into prior to November 9, 1995, that would not be entitled to recognition under the provisions of OAR 836-012-0300 to 836-012-0330 must be reduced to zero for purposes of the insurer's annual statement filing. The temporary rule is effective July 9, 2009, through December 24, 2009.

NAIC Proposes Change to Accounting For Reinsurance In Certain Run-Off Situations

BY ROLLIE GOSS

On June 13, 2009, the NAIC exposed for comment Issue Paper No. 137, which proposed changes to Statement of Statutory Accounting Principle No. 62—Property and Casualty Reinsurance (SSAP No. 62). The proposed change provides an exception to accounting principles for retroactive reinsurance agreements for reinsurance and/or retrocession agreements that meet the criteria of property and casualty run-off agreements described in the issue paper. This proposal has progressed to the stage that at the Fall meetings of the NAIC, a proposed amendment to SSAP No. 62 was exposed for comment. The comment period expired October 28, 2009. A public hearing was to be held on the proposal with interested parties having the opportunity to submit written comments and/or seek to speak at the hearing. For more information, go to the web pages of the NAIC's Statutory Accounting Principles Working Group (www.naic.org). Copies of the exposure items also are available on Jordan Burt's reinsurance/arbitration blog, Reinsurance Focus (www.ReinsuranceFocus.com).