

**STATES THAT HAVE ENACTED OR ARE CONSIDERING REDUCED COLLATERAL REQUIREMENTS FOR CREDIT FOR REINSURANCE
(As of July 29, 2011)**

STATE	ADOPTED OR PROPOSED STATUTE AND/OR REGULATION	BUSINESS LINES COVERED	REQUIREMENTS	COLLATERAL BASIS
STATES WITH REDUCED COLLATERAL IN EFFECT				
Florida	<p>Rule became effective as of October 29, 2008</p> <p>Florida Administrative Code Rule 69O-144.007</p> <p>The Florida Legislature passed Florida Statutes § 624.610(3)(e) in 2007, which authorized the insurance commissioner to issue regulations allowing for lower reinsurance collateral requirements for foreign reinsurers that are highly rated and financially sound.</p>	Property and Casualty	<ul style="list-style-type: none"> • Reinsurer surplus over \$100 million • Reinsurer maintains on a stand-alone basis (separate from its parent or any affiliates) a secure financial strength rating from at least two of the recognized rating agencies • Reinsurer authorized in its home jurisdiction for the type of insurance to be ceded • Reinsurer’s home jurisdiction must also be “eligible” in accordance with a determination by the Florida Insurance Commissioner • Other requirements – e.g., required clauses (insolvency, service of process and submission to jurisdiction) in the reinsurance agreement 	Reduced amount of collateral required to be posted (0%, 10%, 20%, 75%, 100%) is determined on a sliding scale based on the financial strength rating of the eligible reinsurer
Indiana	<p>Signed into law April 6, 2011 and became effective immediately</p> <p>Indiana House Enrolled Act No. 1486 (adding § 27-6-10-16 to the Indiana Code)</p>	Life; Property and Casualty	<ul style="list-style-type: none"> • The Commissioner may reduce or eliminate the amount of required collateral for an assuming insurer or group of assuming insurers that holds surplus or the equivalent in excess of \$250 million • The Commissioner is to consider the following factors before allowing credit for reinsurance: <ul style="list-style-type: none"> ○ Whether the assuming insurer maintains individually or with the assuming insurer’s parent and affiliated insurers, as determined to be appropriate by the Commissioner, a secure financial strength rating from at least two nationally recognized statistical rating organizations that the commissioner considers acceptable ○ Evaluation and approval of the domiciliary jurisdiction of the reinsurer ○ Other requirements – e.g., submission to jurisdiction; service of process; certain filing requirements with the Commissioner • Commissioner may, in lieu of granting full credit, reduce the amount required to be held in trust or of security required to be held under the statute 	Reduced amount of collateral required to be posted (0%, 10%, 20%, 75%, 100%) is determined on a sliding scale based on the financial strength rating of the eligible reinsurer

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New Jersey	<p>Signed into law March 22, 2011 – became effective on June 20, 2011, except for provisions applicable to life reinsurance, which will not become effective until the earlier of 24 months from the effective date of the Act or the implementation of principles-based standards of life insurance reserving by the NAIC</p> <p>Reinsurance and Surplus Line Stimulus and Enhancement Act (A-2670/S-2010) The Act amended 17:51B-2 of the New Jersey Revised Statutes</p>	Life; Property and Casualty	<ul style="list-style-type: none"> • The Commissioner may reduce or eliminate the amount of required collateral for an assuming insurer that holds surplus or equivalent in excess of \$250 million • When determining whether credit should be allowed, the Commissioner will consider: <ul style="list-style-type: none"> ○ That the reinsurer has a secure financial strength rating from at least two nationally recognized statistical rating organizations deemed acceptable by the Commissioner ○ Evaluation and approval of the domiciliary jurisdiction of the reinsurer • The Commissioner will also give consideration to insurer group ratings and may reduce the amount required to be held in trust in lieu of granting full credit 	Amount of collateral required is within the Commissioner’s discretion
New York	<p>Changes to the regulation became effective January 1, 2011</p> <p>Amendments to Regulation 20, “Credit for Reinsurance”</p>	Life; Property and Casualty	<p>The Superintendent of Insurance may consider the following factors in determining the amount of collateral required to be posted by an unauthorized reinsurer, including, among other things:</p> <ul style="list-style-type: none"> • The reinsurer’s ratings (on a stand-alone basis separate from its parent or any affiliates) from at least two of the major ratings agencies • Compliance with reinsurance contractual terms and obligations • Business practices in dealing with ceding companies • Reputation for prompt payment of reinsurance claims • Capital adequacy including maintaining more than \$250 million of policyholders’ surplus • Other requirements – e.g., required clauses (insolvency, service of process and submission to jurisdiction) in the reinsurance agreement 	Reduced amount of collateral required to be posted is determined on a sliding scale (0%, 10%, 20%, 75%, 100%) based on the financial strength rating of the eligible reinsurer

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STATES WITH PENDING REFORMS				
Illinois	Amendment to bill pending Under consideration, an amendment to SB0668	Life; Property and Casualty	<ul style="list-style-type: none"> • Assuming insurer must be domiciled and licensed to transact insurance or reinsurance in a qualified jurisdiction, as determined by the Director • Assuming insurer must maintain minimum capital and surplus in an amount to be determined by the Director pursuant to regulation • Assuming insurer must maintain financial strength ratings from two or more rating agencies deemed acceptable by the Director pursuant to regulation • Other requirements – e.g., submission to jurisdiction; service of process; certain filing requirements with the Director 	Amount of collateral required would be within the Director’s discretion
Louisiana	Bill pending Under consideration, H.B. No. 552 , 2011 Regular Session	Life; Property and Casualty	<ul style="list-style-type: none"> • Credit may be allowed if the assuming insurer holds surplus, or its equivalent in excess of \$250 million and the Commissioner determines that it is an acceptable credit risk • In determining whether to allow credit, the Commissioner will consider: <ul style="list-style-type: none"> ○ The financial strength rating of the assuming insurer, including relevant group ratings, from at least two nationally recognized statistical rating organizations that are acceptable to the Commissioner ○ Evaluation and approval of the domiciliary jurisdiction of the reinsurer • The Commissioner may, in lieu of granting full credit, grant partial credit for reinsurance and reduce the amount required to be held in trust or of security under the statute 	Amount of collateral required would be within the Commissioner’s discretion

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Texas	Bill pending Under consideration H.B. No. 3086	Property and Casualty	<ul style="list-style-type: none"> • Assuming insurer must hold surplus, or its equivalent, in excess of \$250 million and the Commissioner determines in her discretion that it is an acceptable credit risk • In determining whether credit should be allowed, the Commissioner will consider: <ul style="list-style-type: none"> ○ That the reinsurer has a secure financial strength rating from at least two nationally recognized statistical rating organizations deemed acceptable by the Commissioner. The Commissioner will give consideration to insurer group ratings that have been issued ○ Evaluation and approval of the domiciliary jurisdiction of the reinsurer • The Commissioner may, in lieu of granting full credit, reduced the amount required to be held in trust or of security under the code 	Amount of collateral required would be within the Commissioner's discretion