

**SENATE BILL NO. 87**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - FIRST SESSION

**BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**Introduced: 2/22/21**

**Referred: Labor & Commerce**

**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 trusted 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 trusted  
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 trusted 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 trusted 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;

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

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

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

23 (6) **meets the following conditions:**

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

26 **(B) the assuming insurer shall have and maintain on an**  
27 **ongoing basis minimum capital and surplus, or its equivalent, calculated**  
28 **according to the methodology of its domiciliary jurisdiction, in an amount**  
29 **set out in regulation; if the assuming insurer is an association, including**  
30 **incorporated and individual unincorporated underwriters, the assuming**  
31 **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;

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

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

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

8                                    (g) The director may adopt regulations

9                                    (1) to implement this section; and

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

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

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

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

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

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

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

26                                    (B) a regulation adopted under (A)(i) or (ii) of this paragraph  
 27                                    applies to a treaty containing a policy issued (i) on or after January 1, 2015,  
 28                                    and (ii) before January 1, 2015, if the risk pertaining to the policy is ceded, in  
 29                                    whole or in part, in connection with the treaty on or after January 1, 2015; in  
 30                                    this subparagraph, "treaty" means a contract in which a reinsurance company  
 31                                    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 uncodified 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).