



# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature  
First Regular Session

## SB 1044: credit for reinsurance

Sponsor: Senator Livingston, LD 22  
Committee on Commerce

### Overview

Reorganizes laws relating to credit of reinsurance into a separate section of statute.

### History

The National Association of Insurance Commissioners (NAIC) provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight ([www.naic.org](http://www.naic.org)). In 2019 the NAIC made revisions to the Credit for Reinsurance Model Regulation ([Model Regulation](#)).

A domestic ceding insurer is allowed a credit for reinsurance as an asset to or a deduction from liability on account of reinsurance ceded if the reinsurer satisfies requirements as outlined in statute ([A.R.S. § 20-261](#)).

Reinsurance is the transaction whereby an assuming insurer (reinsurer), in consideration of premium paid, agrees to indemnify another insurer (ceding company) against all or part of the loss which the ceding company may sustain under a specified policy or group of policies which it has issued. The reinsurer shares the risk with the ceding company and receives a portion of the premium paid on the policies.

### Provisions

1. Repeals and reorganizes laws relating to credit for reinsurance under Title 20, Chapter 30, Credit for Reinsurance. (Sec 1, 9)

#### ***Additions to Credit for Reinsurance Laws (Sec. 9)***

2. Permits credit when the reinsurance is ceded to an assuming insurer who meets specified conditions which include:
  - a) Have its head office or be domiciled in and be licensed in a reciprocal jurisdiction;
  - b) Have and maintain minimum capital and surplus in an amount prescribed by rule;
  - c) Have and maintain a minimum solvency or capital ratio prescribed by rule;
  - d) Provide certain documentation to the Director as specified by rule;
  - e) Maintain a practice of prompt payment of claims under reinsurance agreements;
  - f) Annually confirm to the Director that the assuming insurer is in compliance; and
  - g) Provide to the Director any additional information on a voluntary basis.
3. Allows the Director to adopt rules that specify additional requirements that relate to or set forth:
  - a) The valuation of assets or reserve credits;

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
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- b) The amount and forms of security supporting reinsurance arrangements; and
  - c) Circumstances contingent of the credit reduction or elimination.
4. Requires the Director to create and publish a list of qualified reciprocal jurisdictions following certain guidelines.
    - a) Allows the Director to remove a jurisdiction from the list on a determination of failure to meet requirements.
  5. Requires the Director, in a timely manner, to create and publish a list of assuming insurers to which cessions will be granted credit.
    - a) Allows the Director to add an insurer to the list if certain requirements are met
  6. Allows the Director to revoke or suspend the eligibility of an assuming insurer if the Director determines that the assuming insurer no longer meets specified requirements.
    - a) Prohibits the granting of credit in cases of revocation or suspension.
  7. Stipulates the ceding insurer, in a legal process of rehabilitation, liquidation or conservation, to seek and obtain an order requiring the assuming insurer post security for all outstanding ceded liabilities.
  8. Outlines certain limitations of credits of reinsurance.
  9. Allows the rules adopted by the Director to include regulation of reinsurance arrangements relating to:
    - a) life insurance policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits;
    - b) universal life insurance policies with provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guarantee period;
    - c) variable annuities with guaranteed death or living benefits;
    - d) long-term care insurance policies; and
    - e) any other life and health insurance and annuity products that the NAIC adopts model regulatory requirements with respect to credit for reinsurance.
  10. Outlines the applicability and requirements of rules adopted by the Director relating to the regulation of reinsurance arrangements of life and health insurance.
  11. Specifies that the authority to adopt rules relating to the regulation of reinsurance arrangements of life and health insurance does not limit the Department's general authority to adopt administrative rules.
  12. Specifies the applicability of Credit for Insurance requirements to certain cessions.
  13. Contains a purpose, intent and declaration clause. (Sec. 10)
  14. Makes technical and conforming changes. (Sec. 2-8)