ONE HUNDRED FOURTH LEGISLATURE - FIRST SESSION - 2015
COMMITTEE STATEMENT
LB298

Hearing Date: Tuesday February 03, 2015
Committee On: Banking, Commerce and Insurance
Introducer: Schumacher
One Liner: Change provisions relating to credit for reinsurance

Roll Call Vote - Final Committee Action:
Advanced to General File

Vote Results:

Aye:	7	Senators Campbell, Craighead, Gloor, Lindstrom, Scheer, Schumacher, Williams
Nay:		
Absent:	1	Senator Howard
Present Not Voting:		

Verbal Testimony:

Proponents:	**Representing:**
Senator Paul Schumacher	Introducer
Bruce Ramge	NE Department of Insurance
Matt Wulf	Reinsurance Association of America

Opponents: **Representing:**

Neutral: **Representing:**

Summary of purpose and/or changes:
LB298 is a bill introduced on behalf of the Department of Insurance to update statutes related to credit for reinsurance. The bill would update Nebraska law to reflect the latest changes to the Credit for Reinsurance Model Law adopted by the National Association of Insurance Commissioners (NAIC). The legislation would provide, section by section, as follows:

Section 1 amends section 44-416.06, which establishes when credit for reinsurance is allowed and addresses concentration of risk. Amended subsection (3) addresses accredited reinsurers and clarifies what a reinsurer must demonstrate to the director to become accredited. Amended subsection (5) addresses reinsurance ceded to an assuming reinsurer that maintains a trust in a qualified United States financial institution and addresses situations when a principal regulator of the trust may allow for a reduction in the required trust surplus.

New subsection (6) establishes a new category of allowable credit for reinsurance from a certified reinsurer. To become a certified reinsurer, a reinsurer must meet certain requirements. First, the reinsurer must be from a qualified jurisdiction, which will be from a list published by the director of qualified jurisdictions that have an effective reinsurance supervisory system. Such a jurisdiction must cooperate with the director on reinsurance issues and promptly enforce United States judgments. U.S. jurisdictions are considered qualified if accredited through the NAIC. Second, the reinsurer must maintain minimum capital and surplus standards established pursuant to rules and regulations. Third, the reinsurer must maintain financial strength ratings from two or more rating agencies deemed acceptable via rules and regulations. Fourth, the reinsurer must agree to submit to the jurisdiction of Nebraska and must provide securities if it resists enforcement of United States judgments. Fifth, the reinsurer must agree to information filing requirements of the director.

New subsection (6) also addresses associations of incorporated or individual unincorporated underwriters becoming certified reinsurers. It also places the duty on the director to assign a rating for each certified reinsurer and requires the director to publish a list of certified reinsurers and their ratings. A certified reinsurer is obligated to secure obligations at a level consistent with its rating as specified in rules and regulations. The bill provides direction to the certified reinsurer on how to secure its obligations in a variety of situations. Finally, new subsection (6) also addresses NAIC certified reinsurers and inactive certified reinsurers.

New subsection (10) addresses the process of the director suspending or revoking a reinsurer's accreditation or certification. It gives such a reinsurer a right to a hearing and it addresses the credit for reinsurance after a suspension or revocation.

New subsection (11) addresses concentration of risk by requiring a ceding insurer to take steps to manage its reinsurance recoverables proportionate to its own book of business and requires a ceding insurer to diversify its reinsurance program by placing duties to report to the director when the amount of reinsurance in one reinsurer or group of affiliated reinsurers meets certain thresholds.

Section 2 amends section 44-416.07 by clarifying what securities the director of insurance may approve to secure obligations.

Section 3 provides the repealers for the amendatory sections.

Jim Scheer, Chairperson