

One Hundred Sixth Legislature - Second Session - 2020

Introducer's Statement of Intent

LB774

Chairperson: Senator Matt Williams

Committee: Banking, Commerce and Insurance

Date of Hearing: January 21, 2020

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

Legislative Bill 774 was introduced on behalf of the Director of Insurance. The legislation proposes to adopt the latest National Association of Insurance Commissioners (NAIC) amendments to the NAIC Credit for Reinsurance Model Law, codified in Nebraska as Neb. Rev. Stat. §§ 44-416.05 – 44-416.10.

The NAIC is the United States standard-setting and regulatory support organization created and governed by the chief insurance regulators from the fifty states, the District of Columbia and five United States territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the United States.

The latest update from the NAIC implements the reinsurance collateral provisions from a pair of agreements (“Covered Agreements”) that the United States entered into with the European Union and the United Kingdom, respectively. Those provisions specifically require states to eliminate reinsurance collateral requirements entirely for certain reinsurers within 5 years or be subject to federal preemption. In order to avoid reinsurance collateral requirements, the reinsurer must have their head office, or be domiciled, in any of the following “reciprocal jurisdictions”: (a) an EU-member country (or any other non-US jurisdiction) that is subject to an in-force Covered Agreement, thereby addressing the elimination of reinsurance collateral requirements with U.S. ceding insurers; (b) a US jurisdiction (state) that meets the requirements for accreditation under the NAIC financial standards and accreditation program; and (c) a non-US jurisdiction recognized as a “qualified jurisdiction” that meets additional requirements consistent with those set forth in the Covered Agreements.

The changes included in LB 774 are expected to be an accreditation standard by the NAIC once the 5 year deadline discussed above is reached on September 1, 2022.

Principal Introducer: _____

Senator Matt Williams