SB 251A
Credit for Reinsurance and Statutory changes for insurance adjuster licensing

DCBS | Consumer and Business Services

Division of Financial Regulation

Background: Credit For Reinsurance

Reinsurance is insurance for insurance companies. It protects against excessive losses.

Credit for reinsurance is an accounting rule. It allows insurers to receive a financial statement "credit" for liabilities transferred to its reinsurer.

Historically:

- Non-U.S. reinsurers had to provide 100 percent collateral for the value of a policy
- U.S. reinsurers do not have to post collateral

SB 251A, Credit For Reinsurance

- Non-U.S. reinsurers that complete the certification process can post less than 100 percent collateral.
- Non-U.S. reinsurers are certified based on several criteria including being domiciled and licensed in a qualified jurisdiction.
- A qualified jurisdiction has:
  - An effective regulatory supervisory system
  - A history of cooperation with U.S. regulators
  - Is one in which U.S. judgments are enforced
- Narrow rulemaking authority to adopt technical and procedural changes to the NAIC credit for reinsurance model law

Why States Maintain Accreditation

Benefits of being accredited

- Provides assurance that minimum standards are met
- Allows reliance on other states for regulating non-domestic business
- Reduces regulatory redundancies

Consequences of not being accredited

- Non-domestic states may no longer be able to accept examination report (statutory requirement!)
- State may lose Lead State status in group-wide supervision
- Facing additional regulation, domestic insurers could choose to re-domesticate

Statutory changes for
Insurance Adjuster Licensing
consistent with NAIC guidelines

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SB 251A:

- Achieves uniformity for adjuster licensing
- Separates licensing provisions for insurance adjusters and consultants
- Imposes licensing provisions similar to adjusters upon consultants

Changes for insurance adjusters

- Defines adjuster
- Expands licensing exemptions
- Allows applicants to designate a home state
- Requires adjusters to be 18 or older
- Requires adjusters to complete 24 hours of continuing education every two years
- Provided a grace period for nonresident adjusters to obtain a temporary permit in the event of a disaster

Changes for both insurance adjusters and consultants

- Requires licensees to report a regulatory sanction or criminal charge within 30 days
- Authorizes disciplinary action for non-payment of child support or state income taxes
- Authorizes DCBS Director to:
  - Recognize licensing examinations by other entities
  - Contract with others on administrative licensing tasks
  - Complete investigations due to license expiration and voluntary surrender
- Clarifies that a business entity must establish an office, managed by a licensed insurance consultant