

March 10, 2021

TO: The Honorable Paul Holvey, Chair
Vice Chairs Bonham and Grayber, and
Members, House Business and Labor Committee

RE: **Support for House Bill 2045-2: NAIC Credit for Reinsurance Model Law Updates**

Dear Chair Holvey, Vice Chairs and Members of the Committee:

On behalf of the American Council of Life Insurers (ACLI), we would like to express our strong support for the -2 amendments to HB 2045, which would enact into Oregon law the 2019 changes to the *NAIC Credit for Reinsurance Model Law*. The 239 ACLI member companies licensed in Oregon write more than 93% of life insurance in the state, and our members also include all professional life reinsurers assuming mortality and morbidity risks in the U.S.

We applaud Commissioner Stolfi for bringing forward this amendment, which will facilitate uniformity and cross-border cooperation on reinsurance agreements, thus enhancing the effectiveness of U.S. insurers and reinsurers. Ultimately, this model law will help ensure that needed insurance coverage is widely available and affordable for Oregon consumers.

Background

In 2019, the National Association of Insurance Commissioners (NAIC) adopted revisions to both the *NAIC Credit for Reinsurance Model Law (#785)* and the *NAIC Credit for Reinsurance Model Regulation (#786)* to align with conditions laid out in the 2017 U.S.-European Union (EU) Covered Agreement. Signed on September 22, 2017, the Covered Agreement, among other things, requires states to update reinsurance collateral obligations for qualified EU reinsurers within five years of the Covered Agreement's signing (September 22, 2022) or else be subject to federal preemption by the Federal Insurance Office (FIO).

Oregon insurers will benefit from the enactment of HB 2045 as amended through expanded access to qualifying non-U.S. reinsurers, free of stringent reinsurance collateral requirements. The bill would also improve the ability of Oregon insurers, in their arrangements with reinsurers, to claim reinsurance credit, which is considered an asset (or a reduction in liabilities) for insurers. Finally, enactment will ensure that Oregon avoids federal preemption by FIO and can maintain a thriving, competitive insurance marketplace.

Need for Action

To encourage swift state adoption of the 2019 Credit for Reinsurance Model, the NAIC has made enactment an NAIC Financial Standards and Accreditation requirement, with an expedited effective

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 95 percent of industry assets in the United States.

date of September 1, 2022. Enactment of HB 2045-2 this year will help the Division of Financial Regulation meet that requirement and maintain its NAIC accreditation.

NAIC accreditation reinforces the strong, state-based financial oversight that has successfully protected insurance policyowners for decades. The NAIC Accreditation Program allows for cooperation among states, reduces regulatory redundancies for multi-state insurers, provides baseline consumer protections, and ultimately reduces costs for policyholders.

For the reasons outlined above, we encourage the committee to **approve HB 2045 as amended with the -2 amendments.**

Thank you for your consideration. Please feel free contact me with any questions.

Sincerely,

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