521B.103 Limited credit allowed other domestic ceding insurers.

1. An asset or a reduction from liability for reinsurance ceded by a domestic insurer to an assuming insurer not meeting the requirements of section 521B.102, shall be allowed in an amount not exceeding the liabilities carried by the ceding insurer. The commissioner may adopt rules pursuant to section 521B.105 specifying requirements related to the valuation of assets or reserve credits, the amount and forms of security supporting reinsurance arrangements described in section 521B.105, and the circumstances pursuant to which credit shall be reduced or eliminated. The reduction shall be in the amount of funds held by or on behalf of the ceding insurer, including funds held in trust for the ceding insurer, under a reinsurance contract with the assuming insurer as security for the payment of obligations under the reinsurance contract, if the security is held in the United States subject to withdrawal solely by, and under the exclusive control of, the ceding insurer, or in the case of a trust, held in a qualified United States financial institution as defined in section 521B.104, subsection 2.

2. The security may be in the form of any of the following:

a. Cash.

b. A security listed by the securities valuation office of the NAIC, including those securities deemed exempt from filing as defined by the purposes and procedures manual of the securities valuation office and those securities qualifying as admitted assets.

c. (1) Clean, irrevocable, unconditional letters of credit, issued or confirmed by a qualified United States financial institution, as defined in section 521B.104, subsection 1, effective no later than December 31 of the year for which the filing is being made, and in the possession of, or in trust for, the ceding insurer on or before the filing date of the ceding insurer's annual statement.

(2) A letter of credit meeting applicable standards of issuer acceptability as of the date of the issuance or confirmation of the letter of credit shall, notwithstanding the issuing or confirming institution's subsequent failure to meet applicable standards of issuer acceptability, continue to be acceptable as security until the expiration, extension, renewal, modification, or amendment of the letter of credit, whichever occurs first.

d. Any other form of security acceptable to the commissioner.

2013 Acts, ch 39, §3, 11; 2017 Acts, ch 7, §6; 2020 Acts, ch 1008, §20, 27

Referred to in §521B.102, 521B.104

2020 amendment applies to all cessions under reinsurance agreements that have an inception, anniversary, or renewal date on or after July 1, 2020; 2020 Acts, ch 1008, §27