

HOUSE BILL NO. 1141

Introduced by

Industry, Business and Labor Committee

(At the request of the Insurance Commissioner)

1 A BILL for an Act to amend and reenact subsection 1 of section 26.1-10.1-01 and section
2 26.1-10.1-03 of the North Dakota Century Code, relating to notice to the insurance
3 commissioner of reinsurance agreements.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Subsection 1 of section 26.1-10.1-01 of the North Dakota
6 Century Code is amended and reenacted as follows:

7 1. Every insurer domiciled in this state shall file a report with the commissioner
8 disclosing material acquisitions and dispositions of assets or material nonrenewals,
9 cancellations, or revisions of ceded reinsurance agreements or material new ceded
10 reinsurance agreements unless the acquisitions and dispositions of assets or
11 material nonrenewals, cancellations, or revisions of ceded reinsurance agreements
12 or material new ceded reinsurance agreements have been submitted to the
13 commissioner for review, approval, or information purposes pursuant to other
14 provisions of the insurance code, laws, rules, or other requirements.

15 **SECTION 2. AMENDMENT.** Section 26.1-10.1-03 of the North Dakota Century Code
16 is amended and reenacted as follows:

17 **26.1-10.1-03. Nonrenewals, cancellations, or revisions of ceded reinsurance**
18 **agreements.**

19 1. Materiality and scope.

20 a. Nonrenewals, cancellations, or revisions of ceded reinsurance agreements or
21 new ceded reinsurance agreements need not be reported under section
22 26.1-10.1-01 if the nonrenewals, cancellations, or revisions of ceded
23 reinsurance agreements or new ceded reinsurance agreements are not
24 material. For purposes of this chapter, a material nonrenewal, cancellation, or

- 1 revision of a ceded reinsurance agreement or a material new ceded
2 reinsurance agreement is one that affects:
- 3 (1) As respects property and casualty business, including accident and
4 health business written by a property and casualty insurer:
5 (a) More than fifty percent of the insurer's total ceded written
6 premium; or
7 (b) More than fifty percent of the insurer's total ceded indemnity and
8 loss adjustment reserves.
- 9 (2) As respects life, annuity, and accident and health business, more than
10 fifty percent of the total reserve credit taken for business ceded, on an
11 annualized basis, as indicated in the insurer's most recent annual
12 statement.
- 13 (3) As respects either property and casualty or life, annuity, and accident
14 and health business, either of the following events constitutes a
15 material revision that must be reported:
16 (a) An authorized reinsurer representing more than ten percent of a
17 total cession is replaced by one or more unauthorized reinsurers;
18 or
19 (b) Previously established collateral requirements have been
20 reduced or waived as respects one or more unauthorized
21 reinsurers representing collectively more than ten percent of a
22 total cession.
- 23 b. However, filing is not required if:
24 (1) As respects property and casualty business, including accident and
25 health business written by a property and casualty insurer, the insurer's
26 total ceded written premium represents, on an annualized basis, less
27 than ten percent of its total written premium for direct and assumed
28 business; or
29 (2) As respects life, annuity, and accident and health business, the total
30 reserve credit taken for business ceded represents, on an annualized

1 basis, less than ten percent of the statutory reserve requirement prior to
2 any cession.

3 2. Information to be reported.

4 a. The following information is required to be disclosed in any report of a
5 material nonrenewal, cancellation, or revision of ceded reinsurance
6 agreements or material new ceded reinsurance agreements:

7 (1) Effective date of the nonrenewal, cancellation, ~~or~~ revision, or new
8 agreement;

9 (2) The description of the transaction with an identification of the initiator of
10 the transaction;

11 (3) Purpose of, or reason for, the transaction; and

12 (4) If applicable, the identity of the replacement reinsurers.

13 b. Insurers are required to report all material nonrenewals, cancellations, or
14 revisions of ceded reinsurance agreements or material new ceded
15 reinsurance agreements on a nonconsolidated basis unless the insurer is part
16 of a consolidated group of insurers that utilizes a pooling arrangement or one
17 hundred percent reinsurance agreement that affects the solvency and integrity
18 of the insurer's reserves and the insurer ceded substantially all of its direct
19 and assumed business to the pool. An insurer is deemed to have ceded
20 substantially all of its direct and assumed business to a pool if the insurer has
21 less than one million dollars total direct plus assumed written premiums during
22 a calendar year which are not subject to a pooling arrangement and the net
23 income of the business not subject to the pooling arrangement represents
24 less than five percent of the insurer's capital and surplus.