

**Fifty-eighth Legislative Assembly of North Dakota
In Regular Session Commencing Tuesday, January 7, 2003**

HOUSE BILL NO. 1141
(Industry, Business and Labor Committee)
(At the request of the Insurance Commissioner)

AN ACT to amend and reenact subsection 1 of section 26.1-10.1-01 and section 26.1-10.1-03 of the North Dakota Century Code, relating to notice to the insurance commissioner of reinsurance agreements.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

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

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

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

1. Materiality and scope.
 - a. Nonrenewals, cancellations, or revisions of ceded reinsurance agreements or new ceded reinsurance agreements need not be reported under section 26.1-10.1-01 if the nonrenewals, cancellations, or revisions of ceded reinsurance agreements or new ceded reinsurance agreements are not material. For purposes of this chapter, a material nonrenewal, cancellation, or revision of a ceded reinsurance agreement or a material new ceded reinsurance agreement is one that affects:
 - (1) As respects property and casualty business, including accident and health business written by a property and casualty insurer:
 - (a) More than fifty percent of the insurer's total ceded written premium; or
 - (b) More than fifty percent of the insurer's total ceded indemnity and loss adjustment reserves.
 - (2) As respects life, annuity, and accident and health business, more than fifty percent of the total reserve credit taken for business ceded, on an annualized basis, as indicated in the insurer's most recent annual statement.
 - (3) As respects either property and casualty or life, annuity, and accident and health business, either of the following events constitutes a material revision that must be reported:
 - (a) An authorized reinsurer representing more than ten percent of a total cession is replaced by one or more unauthorized reinsurers; or

- (b) Previously established collateral requirements have been reduced or waived as respects one or more unauthorized reinsurers representing collectively more than ten percent of a total cession.
- b. However, filing is not required if:
 - (1) As respects property and casualty business, including accident and health business written by a property and casualty insurer, the insurer's total ceded written premium represents, on an annualized basis, less than ten percent of its total written premium for direct and assumed business; or
 - (2) As respects life, annuity, and accident and health business, the total reserve credit taken for business ceded represents, on an annualized basis, less than ten percent of the statutory reserve requirement prior to any cession.
- 2. Information to be reported.
 - a. The following information is required to be disclosed in any report of a material nonrenewal, cancellation, or revision of ceded reinsurance agreements or material new ceded reinsurance agreements:
 - (1) Effective date of the nonrenewal, cancellation, ~~or~~ revision, or new agreement;
 - (2) The description of the transaction with an identification of the initiator of the transaction;
 - (3) Purpose of, or reason for, the transaction; and
 - (4) If applicable, the identity of the replacement reinsurers.
 - b. Insurers are required to report all material nonrenewals, cancellations, or revisions of ceded reinsurance agreements or material new ceded reinsurance agreements on a nonconsolidated basis unless the insurer is part of a consolidated group of insurers that utilizes a pooling arrangement or one hundred percent reinsurance agreement that affects the solvency and integrity of the insurer's reserves and the insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurer has less than one million dollars total direct plus assumed written premiums during a calendar year which are not subject to a pooling arrangement and the net income of the business not subject to the pooling arrangement represents less than five percent of the insurer's capital and surplus.

Speaker of the House

President of the Senate

Chief Clerk of the House

Secretary of the Senate

This certifies that the within bill originated in the House of Representatives of the Fifty-eighth Legislative Assembly of North Dakota and is known on the records of that body as House Bill No. 1141.

House Vote: Yeas 92 Nays 0 Absent 2

Senate Vote: Yeas 46 Nays 0 Absent 1

Chief Clerk of the House

Received by the Governor at _____ M. on _____, 2003.

Approved at _____ M. on _____, 2003.

Governor

Filed in this office this _____ day of _____, 2003,

at _____ o'clock _____ M.

Secretary of State