

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS

Before The
Senate Industry, Business and Labor Committee

January 12, 2021

Senate Bill 2076 – An Act Relating to Reinsurance Credit of Insurers

Chairman Klein and members of the Senate Industry, Business and Labor Committee, I am writing on behalf of the American Council of Life Insurers (ACLI) to express support for Senate Bill 2076, introduced at the request of Insurance Commissioner Godfread. If enacted, S. 2076 would implement the recently adopted 2019 amendments to the NAIC *Credit for Reinsurance Model Law* (#785), facilitating uniformity and cross-border cooperation on reinsurance agreements, to the benefit of U.S. insurers and reinsurers.

ACLI is the leading trade association driving public policy and advocacy on behalf of the life insurance industry and its consumers. Ninety million American families rely on the life insurance industry for financial protection and retirement security. Our member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, and reinsurance as well as supplemental benefits such as dental and vision plans. ACLI's 280 member companies represent 94 percent of industry assets in the United States. Further, ACLI represents all professional life reinsurers assuming mortality and morbidity risks in the U.S.

Background

In June 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 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). To encourage swift state adoption of the 2019 Credit for Reinsurance Models (#785 and #786), the NAIC has made the Models' amendments an NAIC accreditation standard with an expedited effective date of September 1, 2022.

Senate Bill 2076

The enactment of Senate Bill 2076 is important to insurers doing business in North Dakota for several reasons. It would expand their access to qualifying non-U.S. reinsurers without imposing stringent reinsurance collateral requirements. It would improve the ability of insurers, in their arrangements with reinsurers, to claim reinsurance credit, which is considered an asset (or a reduction in liabilities) for insurers. Finally, by enabling the North Dakota Insurance Department

to retain its NAIC financial regulation accreditation status, it would reinforce the strong state-based regulatory framework that has successfully governed the insurance industry for years.

ACLI applauds North Dakota's leadership in pursuing enactment of the 2019 NAIC Credit for Reinsurance Model Law and its attendant Model Regulation. We encourage the Legislature to adopt Senate Bill 2076 this year to avoid federal preemption by FIO and to ensure that North Dakota and the U.S. remain a thriving, competitive insurance marketplace.

Chairman Klein and members of the Committee, I appreciate the opportunity you have given us to provide our comments on Senate Bill 2076 and stand ready to answer any questions you may have.

Respectfully submitted,

J. Bruce Ferguson
Senior Vice President, State Relations
American Council of Life Insurers
101 Constitution Avenue NW
Washington, DC 20001
bruceferguson@acli.com
202.624.2385
301.980.4820 mobile