

1.1 moves to amend H.F. No. 1915 as follows:

1.2 Page 2, line 9, delete "certain" and insert "the following"

1.3 Page 2, line 10, delete everything after "agreements" and insert a colon

1.4 Page 2, delete line 11 and insert:

1.5 "A. provides that an insurer which has its head office or is domiciled in such qualified
1.6 jurisdiction shall receive credit for reinsurance ceded to a United States-domiciled assuming
1.7 insurer in the same manner as credit for reinsurance is received for reinsurance assumed by
1.8 insurers domiciled in such qualified jurisdiction;

1.9 B. does not require a United States-domiciled assuming insurer to establish or maintain
1.10 a local presence as a condition for entering into a reinsurance agreement with any ceding
1.11 insurer subject to regulation by the non-United States jurisdiction or as a condition to allow
1.12 the ceding insurer to recognize credit for such reinsurance;

1.13 C. recognizes the United States state regulatory approach to group supervision and group
1.14 capital, by providing written confirmation by a competent regulatory authority, in such
1.15 qualified jurisdiction, that insurers and insurance groups that are domiciled or maintain their
1.16 headquarters in this state or another jurisdiction accredited by the NAIC shall be subject
1.17 only to worldwide prudential insurance group supervision including worldwide group
1.18 governance, solvency and capital, and reporting, as applicable, by the commissioner or the
1.19 commissioner of the domiciliary state and will not be subject to group supervision at the
1.20 level of the worldwide parent undertaking of the insurance or reinsurance group by the
1.21 qualified jurisdiction; and

1.22 D. provides written confirmation by a competent regulatory authority in such qualified
1.23 jurisdiction that information regarding insurers and their parent, subsidiary, or affiliated
1.24 entities, if applicable, shall be provided to the commissioner in accordance with a
1.25 memorandum of understanding or similar document between the commissioner and such

2.1 qualified jurisdiction, including but not limited to the International Association of Insurance
2.2 Supervisors Multilateral Memorandum of Understanding or other multilateral memoranda
2.3 of understanding coordinated by the NAIC;"

2.4 Page 2, line 14, delete everything after the comma and insert "on at least an annual basis
2.5 as of the preceding December 31 or on the date otherwise statutorily reported to the reciprocal
2.6 jurisdiction, in the following amounts:"

2.7 Page 2, delete lines 15 to 18 and insert:

2.8 "(i) no less than \$250,000,000; or

2.9 (ii) if the assuming insurer is an association, including incorporated and individual
2.10 unincorporated underwriters:

2.11 A. minimum capital and surplus equivalents, net of liabilities, or own funds of the
2.12 equivalent of at least \$250,000,000; and

2.13 B. a central fund containing a balance of the equivalent of at least \$250,000,000;"

2.14 Page 2, line 20, delete everything after the second "as" and insert "follows:"

2.15 Page 2, delete lines 21 to 24 and insert:

2.16 "(i) if the assuming insurer has its head office or is domiciled in a reciprocal jurisdiction
2.17 defined in clause (2), item (i), the ratio specified in the applicable covered agreement;

2.18 (ii) if the assuming insurer is domiciled in a reciprocal jurisdiction defined in clause (2),
2.19 item (ii), a risk-based capital ratio of 300 percent of the authorized control level, calculated
2.20 in accordance with the formula developed by the NAIC; or

2.21 (iii) if the assuming insurer is domiciled in a Reciprocal Jurisdiction defined in clause
2.22 (2), item (iii), after consultation with the reciprocal jurisdiction and considering any
2.23 recommendations published through the NAIC Committee Process, such solvency or capital
2.24 ratio as the commissioner determines to be an effective measure of solvency;"

2.25 Page 2, line 25, delete everything after "assurance" and insert "in the form of a properly
2.26 executed Form AR-1, Form CR-1, and Form RJ-1 of its agreement to the following:"

2.27 Page 2, delete line 26

2.28 Page 3, line 12, delete "and"

2.29 Page 3, line 18, delete everything after "with" and insert "sections 60A.092, subdivision
2.30 10, 60A.093, 60A.096, and 60A.097. For purposes of this regulation, the term "solvent
2.31 scheme of arrangement" means a foreign or alien statutory or regulatory compromise

3.1 procedure subject to requisite majority creditor approval and judicial sanction in the assuming
3.2 insurer's home jurisdiction either to finally commute liabilities of duly noticed classed
3.3 members or creditors of a solvent debtor, or to reorganize or restructure the debts and
3.4 obligations of a solvent debtor on a final basis, and which may be subject to judicial
3.5 recognition and enforcement of the arrangement by a governing authority outside the ceding
3.6 insurer's home jurisdiction; and"

3.7 Page 3, after line 18, insert:

3.8 "(vi) the assuming insurer must agree in writing to meet the applicable information filing
3.9 requirements set forth in clause (5);"

3.10 Page 3, line 20, delete "certain" and insert "the following"

3.11 Page 3, line 21, delete everything after the first "commissioner" and insert a colon

3.12 Page 3, after line 21, insert:

3.13 "(i) for the two years preceding entry into the reinsurance agreement and on an annual
3.14 basis thereafter, the assuming insurer's annual audited financial statements, in accordance
3.15 with the applicable law of the jurisdiction of its head office or domiciliary jurisdiction, as
3.16 applicable, including the external audit report;

3.17 (ii) for the two years preceding entry into the reinsurance agreement, the solvency and
3.18 financial condition report or actuarial opinion, if filed with the assuming insurer's supervisor;

3.19 (iii) prior to entry into the reinsurance agreement and not more than semiannually
3.20 thereafter, an updated list of all disputed and overdue reinsurance claims outstanding for
3.21 90 days or more, regarding reinsurance assumed from ceding insurers domiciled in the
3.22 United States; and

3.23 (iv) prior to entry into the reinsurance agreement and not more than semiannually
3.24 thereafter, information regarding the assuming insurer's assumed reinsurance by ceding
3.25 insurer, ceded reinsurance by the assuming insurer, and reinsurance recoverable on paid
3.26 and unpaid losses by the assuming insurer to allow for the evaluation of the criteria set forth
3.27 in clause (6);"

3.28 Page 3, line 23, delete everything after "agreements" and insert ". The lack of prompt
3.29 payment will be evidenced if any of the following criteria is met:"

3.30 Page 3, after line 23, insert:

3.31 "(i) more than 15 percent of the reinsurance recoverables from the assuming insurer are
3.32 overdue and in dispute as reported to the commissioner;

4.1 (ii) more than 15 percent of the assuming insurer's ceding insurers or reinsurers have
4.2 overdue reinsurance recoverable on paid losses of 90 days or more which are not in dispute
4.3 and which exceed for each ceding insurer \$100,000, or as otherwise specified in a covered
4.4 agreement; or

4.5 (iii) the aggregate amount of reinsurance recoverable on paid losses which are not in
4.6 dispute, but are overdue by 90 days or more, exceeds \$50,000,000, or as otherwise specified
4.7 in a covered agreement;"

4.8 Page 4, after line 17, insert:

4.9 "(i) If an NAIC-accredited jurisdiction has determined that the conditions set forth in
4.10 paragraph (a), clause (2), have been met, the commissioner has the discretion to defer to
4.11 that jurisdiction's determination, and add such assuming insurer to the list of assuming
4.12 insurers to which cessions shall be granted credit in accordance with this paragraph. The
4.13 commissioner may accept financial documentation filed with another NAIC-accredited
4.14 jurisdiction or with the NAIC in satisfaction of the requirements of paragraph (a), clause
4.15 (2);

4.16 (ii) When requesting that the commissioner defer to another NAIC-accredited
4.17 jurisdiction's determination, an assuming insurer must submit a properly executed Form
4.18 RJ-1 and additional information as the commissioner may require. A state that has received
4.19 such a request will notify other states through the NAIC Committee Process and provide
4.20 relevant information with respect to the determination of eligibility."

4.21 Page 4, after line 29, insert:

4.22 "(e) Before denying statement credit or imposing a requirement to post security with
4.23 respect to paragraph (d) or adopting any similar requirement that will have substantially the
4.24 same regulatory impact as security, the commissioner shall:

4.25 (1) communicate with the ceding insurer, the assuming insurer, and the assuming insurer's
4.26 supervisory authority that the assuming insurer no longer satisfies one of the conditions
4.27 listed in paragraph (a), clause (2);

4.28 (2) provide the assuming insurer with 30 days from the initial communication to submit
4.29 a plan to remedy the defect, and 90 days from the initial communication to remedy the
4.30 defect, except in exceptional circumstances in which a shorter period is necessary for
4.31 policyholder and other consumer protection;

5.1 (3) after the expiration of 90 days or less, as set out in clause (2), if the commissioner
5.2 determines that no or insufficient action was taken by the assuming insurer, the commissioner
5.3 may impose any of the requirements as set out in this paragraph; and

5.4 (4) provide a written explanation to the assuming insurer of any of the requirements set
5.5 out in this paragraph."

5.6 Reletter the paragraphs in sequence

5.7 Page 5, after line 15, insert:

5.8 "Sec. 3. Minnesota Statutes 2020, section 60A.0921, subdivision 2, is amended to read:

5.9 Subd. 2. **Certification procedure.** (a) The commissioner shall post notice on the
5.10 department's website promptly upon receipt of any application for certification, including
5.11 instructions on how members of the public may respond to the application. The commissioner
5.12 may not take final action on the application until at least 30 days after posting the notice.

5.13 (b) The commissioner shall issue written notice to an assuming insurer that has applied
5.14 and been approved as a certified reinsurer. The notice must include the rating assigned the
5.15 certified reinsurer in accordance with subdivision 1. The commissioner shall publish a list
5.16 of all certified reinsurers and their ratings.

5.17 (c) In order to be eligible for certification, the assuming insurer must:

5.18 (1) be domiciled and licensed to transact insurance or reinsurance in a qualified
5.19 jurisdiction, as determined by the commissioner under subdivision 3;

5.20 (2) maintain capital and surplus, or its equivalent, of no less than \$250,000,000 calculated
5.21 in accordance with paragraph (d), clause (8). This requirement may also be satisfied by an
5.22 association including incorporated and individual unincorporated underwriters having
5.23 minimum capital and surplus equivalents net of liabilities of at least \$250,000,000 and a
5.24 central fund containing a balance of at least \$250,000,000;

5.25 (3) maintain financial strength ratings from two or more rating agencies acceptable to
5.26 the commissioner. These ratings shall be based on interactive communication between the
5.27 rating agency and the assuming insurer and shall not be based solely on publicly available
5.28 information. These financial strength ratings shall be one factor used by the commissioner
5.29 in determining the rating that is assigned to the assuming insurer. Acceptable rating agencies
5.30 include the following:

5.31 (i) Standard & Poor's;

5.32 (ii) Moody's Investors Service;

- 6.1 (iii) Fitch Ratings;
- 6.2 (iv) A.M. Best Company; or
- 6.3 (v) any other nationally recognized statistical rating organization; and
- 6.4 (4) ensure that the certified reinsurer complies with any other requirements reasonably
- 6.5 imposed by the commissioner.

6.6 (d) Each certified reinsurer shall be rated on a legal entity basis, with due consideration
 6.7 being given to the group rating where appropriate, except that an association including
 6.8 incorporated and individual unincorporated underwriters that has been approved to do
 6.9 business as a single certified reinsurer may be evaluated on the basis of its group rating.
 6.10 Factors that may be considered as part of the evaluation process include, but are not limited
 6.11 to:

6.12 (1) certified reinsurer's financial strength rating from an acceptable rating agency. The
 6.13 maximum rating that a certified reinsurer may be assigned will correspond to its financial
 6.14 strength rating as outlined in the table below. The commissioner shall use the lowest financial
 6.15 strength rating received from an approved rating agency in establishing the maximum rating
 6.16 of a certified reinsurer. A failure to obtain or maintain at least two financial strength ratings
 6.17 from acceptable rating agencies will result in loss of eligibility for certification;

6.18 Ratings	Best	S&P	Moody's	Fitch
6.19 Secure - 1	A++	AAA	Aaa	AAA
6.20 Secure - 2	A+	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-
6.21 Secure - 3	A	A+, A	A1, A2	A+, A
6.22 Secure - 4	A-	A-	A3	A-
6.23 Secure - 5	B++, B-	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-
6.25 Vulnerable - 6	B, B-C++, C+, C, C-, D, E, F	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R	Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C	BB+, BB, BB-, B+, B, B-, CCC+, CC, CCC-, DD

6.28 (2) the business practices of the certified reinsurer in dealing with its ceding insurers,
 6.29 including its record of compliance with reinsurance contractual terms and obligations;

6.30 (3) for certified reinsurers domiciled in the United States, a review of the most recent
 6.31 applicable NAIC annual statement;

6.32 (4) for certified reinsurers not domiciled in the United States, a review annually of such
 6.33 forms as may be required by the commissioner;

7.1 (5) the reputation of the certified reinsurer for prompt payment of claims under
7.2 reinsurance agreements, based on an analysis of ceding insurers' reporting of overdue
7.3 reinsurance recoverables, including the proportion of obligations that are more than 90 days
7.4 past due or are in dispute, with specific attention given to obligations payable to companies
7.5 that are in administrative supervision or receivership;

7.6 (6) regulatory actions against the certified reinsurer;

7.7 (7) the report of the independent auditor on the financial statements of the insurance
7.8 enterprise, on the basis described in clause (8);

7.9 (8) for certified reinsurers not domiciled in the United States, audited financial statements
7.10 (audited United States GAAP basis if available, audited IFRS basis statements are allowed,
7.11 but must include an audited footnote reconciling equity and net income to a United States
7.12 GAAP basis, or, with permission of the commissioner, audited IFRS statements with
7.13 reconciliation to United States GAAP certified by an officer of the company). Upon the
7.14 initial application for certification, the commissioner will consider audited financial
7.15 statements for the last ~~three~~ two years filed with its non-United States jurisdiction supervisor;

7.16 (9) the liquidation priority of obligations to a ceding insurer in the certified reinsurer's
7.17 domiciliary jurisdiction in the context of an insolvency proceeding;

7.18 (10) a certified reinsurer's participation in any solvent scheme of arrangement, or similar
7.19 procedure, which involves United States ceding insurers. The commissioner must receive
7.20 prior notice from a certified reinsurer that proposes participation by the certified reinsurer
7.21 in a solvent scheme of arrangement; and

7.22 (11) other information as determined by the commissioner.

7.23 (e) Based on the analysis conducted under paragraph (d), clause (5), of a certified
7.24 reinsurer's reputation for prompt payment of claims, the commissioner may make appropriate
7.25 adjustments in the security the certified reinsurer is required to post to protect its liabilities
7.26 to United States ceding insurers, provided that the commissioner shall, at a minimum,
7.27 increase the security the certified reinsurer is required to post by one rating level under
7.28 paragraph (d), clause (1), if the commissioner finds that:

7.29 (1) more than 15 percent of the certified reinsurer's ceding insurance clients have overdue
7.30 reinsurance recoverables on paid losses of 90 days or more which are not in dispute and
7.31 which exceed \$100,000 for each cedent; or

7.32 (2) the aggregate amount of reinsurance recoverables on paid losses which are not in
7.33 dispute that are overdue by 90 days or more exceeds \$50,000,000.

8.1 (f) The assuming insurer must submit such forms as required by the commissioner as
8.2 evidence of its submission to the jurisdiction of this state, appoint the commissioner as an
8.3 agent for service of process in this state, and agree to provide security for 100 percent of
8.4 the assuming insurer's liabilities attributable to reinsurance ceded by United States ceding
8.5 insurers if it resists enforcement of a final United States judgment. The commissioner shall
8.6 not certify an assuming insurer that is domiciled in a jurisdiction that the commissioner has
8.7 determined does not adequately and promptly enforce final United States judgments or
8.8 arbitration awards.

8.9 (g) The certified reinsurer must agree to meet filing requirements as determined by the
8.10 commissioner, both with respect to an initial application for certification and on an ongoing
8.11 basis. All data submitted by certified reinsurers to the commissioner is nonpublic under
8.12 section 13.02, subdivision 9. The certified reinsurer must file with the commissioner:

8.13 (1) a notification within ten days of any regulatory actions taken against the certified
8.14 reinsurer, any change in the provisions of its domiciliary license, or any change in rating
8.15 by an approved rating agency, including a statement describing such changes and the reasons
8.16 therefore;

8.17 (2) an annual report regarding reinsurance assumed, in a form determined by the
8.18 commissioner;

8.19 (3) an annual report of the independent auditor on the financial statements of the insurance
8.20 enterprise, on the basis described in clause (4);

8.21 (4) an annual audited financial statement, regulatory filings, and actuarial opinion filed
8.22 with the certified reinsurer's supervisor. Upon the initial certification, audited financial
8.23 statements for the last ~~three~~ two years filed with the certified reinsurer's supervisor;

8.24 (5) at least annually, an updated list of all disputed and overdue reinsurance claims
8.25 regarding reinsurance assumed from United States domestic ceding insurers;

8.26 (6) a certification from the certified reinsurer's domestic regulator that the certified
8.27 reinsurer is in good standing and maintains capital in excess of the jurisdiction's highest
8.28 regulatory action level; and

8.29 (7) any other relevant information as determined by the commissioner."

8.30 Renumber the sections in sequence

8.31 Correct the title numbers accordingly