



2021-2022 General Assembly

# SENATE BILL 299: North Carolina Department of Insurance National Association of Insurance Commissioners' Accreditation.

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<b>Committee:</b>		<b>Date:</b>	February 2, 2022
<b>Introduced by:</b>		<b>Prepared by:</b>	Brad Krehely Staff Attorney
<b>Analysis of:</b>	S.L. 2021-114		

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**OVERVIEW:** *S.L. 2021-114 changes North Carolina's insurance laws to comply with the National Association of Insurance Commissioners' model laws (NAIC) and allow the North Carolina Department of Insurance (DOI) to maintain its NAIC accreditation.*

*Specifically, the act 1) codifies provisions from an agreement between the United States (U.S.), the European Union (EU), and the United Kingdom (UK) ("Covered Agreement") concerning the amount of required reinsurance collateral and local presence that reinsurers must maintain to do business in the other location and 2) establishes national standards governing reserves relating to life insurance policies. The act became effective September 1, 2021.*

**CURRENT LAW:** Chapter 58 of the General Statutes governs North Carolina's insurance laws. Currently, the provisions in Chapter 58 meet NAIC requirements.

## **BILL ANALYSIS:**

**Part I** adds revisions made to the NAIC's "Credit for Reinsurance Model Law and Credit for Reinsurance Model Regulation" into Chapter 58. If adopted within five years, the need for reinsurance collateral and local presence will be eliminated for the U.S., EU, and UK. North Carolina must enact these provisions by September 1, 2022 to avoid federal preemption.

**Section 1** does all of the following:

- Makes technical corrections.
- Amends the annual information filing requirements for certified reinsurers.
- Amends the factors that the Commissioner of Insurance may consider in evaluating and assigning a rating to a certified reinsurer.
- Adds "Reciprocal jurisdiction" as a type of credit for reinsurance that a domestic ceding insurer will be allowed when certain requirements are met.
- Defines terms.

**Part II** creates a new section in Chapter 58 incorporating language from the NAIC's "Term and Universal Life Insurance Reserve Financing Model Regulation."

**Section 2** does all of the following:

- Sets requirements for the types and amounts of assets that can be used to secure reserve financing arrangements for life insurance policies and establishes consistent methods to calculate the reserves.

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- Defines terms.
- Identifies situations exempt from the new regulations.
- Lists requirements for when covered policies may obtain credit for reinsurance.
- Requires annual and quarterly reports of primary security and other security funds.
- Provides a severability clause.
- Explicitly prohibits an insurer from avoiding the requirements of the new regulations.

This section became effective September 1, 2021, and applies to all covered policies in force on or after that date.

**EFFECTIVE DATE:** Except as otherwise provided, this act became effective September 1, 2021, and applies to all covered policies entered into, amended, or renewed on or after that date.

**BACKGROUND:** The National Association of Insurance Commissioners is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia, and five U.S. territories. The formal certification program began in June 1990. North Carolina has been accredited since 1991. All fifty states, the District of Columbia, and Puerto Rico are currently accredited.

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