



SENATE BILL 299: NCDOI NAIC Accreditation.

2021-2022 General Assembly

Committee:	House Rules, Calendar, and Operations of the House	Date:	August 4, 2021
Introduced by:	Sens. Sawyer, Johnson	Prepared by:	Brad Krehely
Analysis of:	Third Edition		Staff Attorney

OVERVIEW: *Senate Bill 299 would enact legislative changes to 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, Senate Bill 299 would 1) codify provisions from an agreement between the United States, 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) establish national standards governing reserves relating to life insurance policies.

Both NAIC provisions must be adopted no later than September 1, 2022 for North Carolina to remain in compliance with NAIC accreditation standards.

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.*

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 would:

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

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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 would:

- Set requirements for the types and amounts of assets that can be used to secure reserve financing arrangements for life insurance policies and establish consistent methods to calculate the reserves.
- Define terms in the new legislation.
- Identify situations exempt from the new regulations.
- List requirements for when covered policies may obtain credit for reinsurance.
- Require annual and quarterly reports of primary security and other security funds.
- Provide a severability clause.
- Explicitly prohibit an insurer from avoiding the requirements of the new regulations.

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

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

Kristen L. Harris and Jeremy Ray, Staff Attorneys for the Legislative Analysis Division, contributed substantially to this summary.