



Mike Kreidler- Insurance commissioner

As required by

The Washington State Administrative Procedures Act

Chapter 34.05 RCW

Matter No. **R 2021-05**

**CONCISE EXPLANATORY STATEMENT; RESPONSIVENESS
SUMMARY; RULE DEVELOPMENT PROCESS; AND
IMPLEMENTATION PLAN**

Relating to the adoption of

Reinsurance Agreements

September 24, 2021

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Section 1: Introduction

Revised Code of Washington (RCW) 34.05.325 (6) requires the Office of Insurance Commissioner (OIC) to prepare a “concise explanatory statement” (CES) prior to filing a rule for permanent adoption. The CES shall:

1. Identify the Commissioner's reason's for adopting the rule;
2. Describe differences between the proposed rule and the final rule (other than editing changes) and the reasons for the differences; and
3. Summarize and respond to all comments received regarding the proposed rule during the official public comment period, indicating whether or not the comment resulted in a change to the final rule, or the Commissioner's reasoning in not incorporating the change requested by the comment; and
4. Be distributed to all persons who commented on the rule during the official public comment period and to any person who requests it.

Section 2: Reasons for Adopting the Rule

The National Association of Insurance Commissioners (NAIC) recently adopted two revisions to its Credit for Reinsurance Model Law. The amendments to the model law incorporate provisions of an agreement between the United States and the European Union (EU). The agreement eliminates reinsurance collateral and local presence requirements for EU reinsurers that maintain \$250 million of their own funds and 100% solvency capital. Conversely, U.S. reinsurers that maintain similar capital and surplus would not be required to maintain a local presence in order to do business in the EU or in any EU jurisdiction. A similar agreement was signed with the United Kingdom and extends similar treatment to qualified jurisdictions and accredited NAIC jurisdictions. Senate Bill 5048 (2021) passed this past legislative session incorporating key components of the NAIC model. The Commissioner is considering rulemaking to further align with the model law and to advance collateral reform relating to reinsurance and assist Washington state maintain a competitive and secure insurance market.

Section 3: Rule Development Process

On June 22, 2021, the Commissioner filed a CR-101 pre-proposal public notice of intent to adopt rules. The comment period was open through July 15, 2021. No comments were received.

On June 23, 2021, the Commissioner issued a working draft of the amended rules relating to reinsurance agreements, notified Property & Casualty insurance stakeholders, and requested comment. The comment period was open through July 15, 2021. Three comments were received in support of the working draft, with one typographic correction that was implemented by the Commissioner in the proposed rulemaking

On August 17, 2021, the Commissioner filed a CR-102 proposed rule making. The comment period was open through September 22, 2021. No comments were received.

On September 23, 2021, the Commissioner held a public hearing to hear testimony on the proposed rule. Several people attended the public hearing and no testimony was provided. The hearing summary in in Appendix A.

The responsiveness summary chart included in Section 5 addresses the comments received.

Section 4: Differences Between Proposed and Final Rule

None.

Section 5: Responsiveness Summary

Comment	Response
Thanked the Commissioner on this rulemaking to create a uniform process to modernize reinsurance collateral and to be in alignment with the NAIC models	We appreciate the review of the stakeholder draft and support of the rulemaking.
Page 6, subsection(7), on the working draft has out of order lettering.	The rule was changed to incorporate these typographic fixes.

Section 6: Implementation Plan

A. Implementation and enforcement of the rule.

After the permanent rule is filed and adopted with the Office of the Code Reviser:

- Policy staff will distribute copies of the final rule and the Concise Explanatory Statement to all interested parties through the State’s Govdelivery email system.
- The CR 103 documents and adopted rule will be posted on the Office of the Insurance Commissioner’s website.
- Questions will be addressed by Office of the Insurance Commissioner’s staff as follows:

Type of Inquiry	Division
Insurer assistance	Company Supervision
Rule Content	Policy
Authority for rules	Policy

Enforcement of rule	Company Supervision and Legal Affairs
Market Compliance	Company Supervision

B. How the Agency intends to inform and educate affected persons about the rule.

The agency will meet with and provide assistance to any affected property insurer and alien reinsurer.

C. How the Agency intends to promote and assist voluntary compliance for this rule.

The agency will meet with and provide assistance to any affected property insurer and alien reinsurer.

D. How the Agency intends to evaluate whether the rule achieves the purpose for which it was adopted.

The agency will monitor the market to better understand how reinsurance agreements affected by this rulemaking provides better clarity on reinsurance collateral and assistance to insurers accounting of the agreements.

Appendix A

CR-102 Hearing Summary

Summarizing Memorandum

**To: Mike Kreidler
Insurance Commissioner**

**From: David Forte
Presiding Official, Hearing on Rule-making**

Matter No. R 2021-05

Topic of Rule-making: Reinsurance agreeents

This memorandum summarizes the hearing on the above-named rule making, held on September 23, 2021 at Zoom Meeting ID: 831 7308 1437 over which I presided in your stead.

The following agency personnel were present:
Steven Drutz

In attendance:

Will Newmark, Kevin Smith, and Amy Do

Contents of the presentations made at hearing: No testimony given

The hearing was adjourned.

SIGNED this 23rd day of September, 2021.



David Forte, Presiding Official