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Locke Lord QuickStudy: The End of Collateral for Non-US Reinsurers Is Here; An UPDATE on “Reciprocal Reinsurers”?

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As we [previously reported a year ago](#), the National Association of Insurance Commissioners (NAIC) adopted amendments to the Credit for Reinsurance Model Law (#785) and Credit for Reinsurance Model Regulation (#786) to implement the certain international agreements to eliminate collateral requirements for qualifying reinsurers. The Models created a new category of reinsurers, called “reciprocal reinsurers”, which may qualify to provide reinsurance to U.S. cedents without posting collateral for reinsurance credit.

To date approximately 48 U.S. jurisdictions have enacted reciprocal reinsurer legislation and 38 of those jurisdictions have adopted or proposed the enabling regulations. Many of these states are now accepting applications.

The NAIC Reinsurance Task Force is asking that states that have yet to adopt the legislation and regulations do so by July 1, 2022, and at the latest by September 1, 2022, to avoid Federal preemption of laws that are inconsistent with the international agreements.

The benefits of the reciprocal reinsurer legislation extends to all E.U. countries, the U.K., and other “qualified” jurisdictions, such as Bermuda, Japan and Switzerland. In addition, the ability to obtain reciprocal reinsurer status also extends to U.S. reinsurers that are domiciled in states that have been accredited by the NAIC – currently, all 50 states, the District of Columbia and the U.S. Virgin Islands.

Similar to the “certified reinsurer” application process, reinsurers first apply for “reciprocal reinsurer” status in a “lead” state and, once approved by that state and the NAIC ReFAWG (Reinsurance Financial Analysis Working Group), can “passport” their approval to other states utilizing a streamlined application process. Other states are encouraged to defer to the lead state’s approval.

We continue to monitor and report on these developments.

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