

THE FLORIDA SENATE
2021 SUMMARY OF LEGISLATION PASSED
Committee on Banking and Insurance

SB 728 — Credit for Reinsurance

by Senator Broxson

The bill revises provisions relating to the reinsurance statutes of the Florida Insurance Code to incorporate recent changes made by the National Association of Insurance Commissioners (NAIC) to the Credit for Reinsurance Model Law and the Credit for Reinsurance Model Regulation.

The 2017 Bilateral Agreement between the United States and European Union on Prudential Measures Regarding Insurance and Reinsurance (Covered Agreement) reached between the U.S. Department of the Treasury, U.S. Trade Representative, and the European Union (EU), in part, commits the U.S. to phasing-out state-based reinsurance collateral requirements for EU reinsurers by 2022. The covered agreement further exempts EU reinsurers from current U.S. domiciliary requirements for authorized reinsurer status by creating a new, broader classification of jurisdiction called a “reciprocal jurisdiction.”

The bill provides insurers with credit for reinsurance and eliminates additional collateral requirements for reinsurers if the reinsurer is domiciled in a “reciprocal jurisdiction” and meets requirements set forth in the bill. The bill defines “reciprocal jurisdiction” to mean:

- A non-U.S. jurisdiction that is subject to an in-force covered agreement with the U.S. or, in the case of a covered agreement between the U.S. and the EU, an EU member state;
- A U.S. jurisdiction that meets the NAIC requirements for accreditation; or
- Any other qualified jurisdiction that meets certain statutory requirements and any additional requirements of the Office of Insurance Regulation set forth in rule.

The requirements the reinsurer must meet include, but are not limited to:

- Minimum capital and surplus requirements;
- Minimum solvency or capital ratios;
- Annual confirmation from the domiciliary supervisory authority stating that the reinsurer meets the capital, surplus, and minimum solvency or capital ratio requirements; and
- Prompt claims payment practices.

The bill also provides insurers with protections against reinsurer failure that include, but are not limited to, requiring the reinsurer to post collateral equal to all outstanding reinsurance liabilities in the event the reinsurer enters into receivership; requiring the reinsurer to consent to the jurisdiction of courts of the State of Florida; and requiring the reinsurer to post collateral equal to all outstanding liabilities if the reinsurer resists enforcement of a court order from a jurisdiction in which it has consented.

If approved by the Governor, these provisions take effect July 1, 2021.

Vote: Senate 38-1; House 118-0