



**State of Rhode Island
DEPARTMENT OF BUSINESS REGULATION
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920**

Insurance Division

via email: HouseCorporations@rilegislature.gov

March 2, 2021

Representative Joseph J. Solomon, Jr.
Chair, House Committee On Corporations
Rhode Island State House
Providence, RI 02903

Re: House 5510 – An Act Relating To Insurance – Credit For Reinsurance Act

Dear Mr. Chairman:

The Department of Business Regulation, Insurance Division, submits this statement of support of H5510.

The amendment updates the law to the most recent version of the National Association of Insurance Commissioner (NAIC) model act. In order for insurers domiciled in Rhode Island that sell in other states to remain in Rhode Island, it is necessary for the Insurance Division to be accredited by the NAIC. Accreditation requires expertise in financial analysis and examination of insurance companies as well as uniform laws governing those financial standards. Credit for Reinsurance is one of the uniform laws that are necessary for accreditation. These updates are also included as section one of H5780 and we suggest that both bills be enacted.

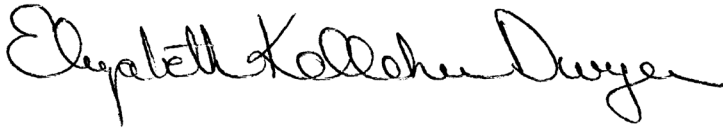
Credit for Reinsurance is the statute under which insurers take credit on their financial statements for reinsurance they have purchased. What that means is that the requirements for the amount of funds an insurer must have on hand take into the account the fact that a reinsurer will be responsible to reimburse some of the claims. The financial strength of the reinsurer effects how much credit the domestic insurer can take as we are judging the ability of the reinsurer to reimburse the insurer.

As permitted by Dodd Frank, the federal government has entered into an agreement with the European Union and the United Kingdom regarding how the United States will treat reinsurers from those jurisdictions (“Covered Agreement.”). States were given two years to bring their statutes into conformance with the Covered Agreement. These amendments will accomplish that goal. If we do not amend the Credit for Reinsurance Act, the Covered Agreement will preempt the RI statute. This amendment is required both for NAIC accreditation and to stop federal preemption in this area.

To avoid the threatened federal preemption, states had the 2020 and 2021 sessions to adopt the changes. Enactment of the provisions is extremely important to RI domestic insurance companies doing business in the European Union and the United Kingdom which includes a Rhode Island domestic insurer.

I am available to answer any questions on this matter. I will be at the hearing but can also be reached at 401.462.9615.

Very truly yours,

A handwritten signature in black ink, reading "Elizabeth Kelleher Dwyer". The signature is written in a cursive, flowing style.

Elizabeth Kelleher Dwyer, Esq.
Superintendent of Insurance

cc. Members of the House Corporations Committee