



ADMINISTRATIVE RULES OF MONTANA

6.6.3849 CERTIFIED REINSURERS - SECURITY RATING FOR CREDIT

- (1) The credit allowed to a certified assuming insurer pursuant to 33-2-1216, MCA, shall be based upon the security held by or on behalf of the ceding insurer in accordance with a rating assigned to the certified reinsurer by the commissioner. The security shall be in a form consistent with 33-2-1216, MCA, and this rule. The minimum amount of security required in order for full credit to be allowed shall correspond with the following requirements:
 - (a) Ratings Security Required
 - Secure – 1 0%
 - Secure – 2 10%
 - Secure – 3 20%
 - Secure – 4 50%
 - Secure – 5 75%
 - Vulnerable – 6 100%
 - (b) the commissioner may make appropriate adjustments in the security the certified reinsurer is required to post to protect its liabilities to United States ceding insurers, provided that the commissioner shall, at a minimum, increase the security the certified reinsurer is required to post by one rating level if the commissioner finds that:
 - (i) more than 15% of the certified reinsurer's ceding insurance clients have overdue reinsurance recoverables on paid losses of 90 days or more which are not in dispute and which exceed \$100,000 for each cedent; or
 - (ii) the aggregate amount of reinsurance recoverables on paid losses which are not in dispute that are overdue by 90 days or more exceeds \$50,000,000.
 - (c) the commissioner has the authority to revise and change the security rating of a certified reinsurer at any time pursuant to this rule. If the rating is upgraded by the commissioner, the certified reinsurer may meet the security requirements applicable to its new rating on a prospective basis, but the commissioner shall require the certified reinsurer to post security under the previously applicable security requirements as to all contracts in force on or before the effective date of the upgraded rating. If the rating of a certified reinsurer is downgraded by the commissioner, the commissioner shall require the certified reinsurer to

meet the security requirements applicable to its new rating for all business it has assumed as a certified reinsurer;

- (d) the certified reinsurer shall post 100% of the security for the benefit of the ceding insurer or its estate upon the entry of an order of rehabilitation, liquidation, or conservation against the ceding insurer; and
 - (e) to facilitate the prompt payment of claims, a certified reinsurer shall not be required to post security for catastrophe recoverables recognized by the commissioner for a period of one year from the date of the first instance of a liability reserve entry by the ceding company as a result of a loss from a catastrophic occurrence as recognized by the commissioner. The one-year deferral period is contingent upon the certified reinsurer continuing to pay claims in a timely manner. The deferral period applies only to the following lines of business, as reported on the NAIC annual financial statement related specifically to the catastrophic occurrence:
 - (i) Line 1: Fire;
 - (ii) Line 2: Allied Lines;
 - (iii) Line 3: Farmowners multiple peril;
 - (iv) Line 4: Homeowners multiple peril;
 - (v) Line 5: Commercial multiple peril;
 - (vi) Line 9: Inland Marine;
 - (vii) Line 12: Earthquake; and
 - (viii) Line 21: Auto physical damage.
- (2) In the event that the commissioner certifies the assuming insurer based on the certification in an NAIC-accredited jurisdiction (hereinafter the other jurisdiction), the following apply:
- (a) the certified assuming insurer shall notify the commissioner of any change in its rating in the other jurisdiction within 10 days after receiving notice of the change; and
 - (b) the commissioner may withdraw recognition of, change, or revoke the rating of the certified assuming insurer at any time and assign a new rating pursuant to this rule.

Authorizing statute(s): 33-1-313, 33-2-1517, MCA

Implementing statute(s): 33-2-1216, MCA

History: NEW, 2016 MAR p. 2186, Eff. 11/26/16.