



ADMINISTRATIVE RULES OF MONTANA



6.6.3869 REINSURANCE AGREEMENT PROVISIONS RELATING TO 1217 LETTERS OF CREDIT

- (1) The reinsurance agreement entered into in conjunction with trust agreements pursuant to 33-2-1217, MCA, may include the following:
 - (a) a requirement that the assuming insurer provide letters of credit to the ceding insurer and specify what they are to cover; and
 - (b) a requirement that the assuming insurer and ceding insurer agree that the letter of credit provided by the assuming insurer may be drawn upon at any time, notwithstanding any other provisions in the reinsurance agreement, and must be utilized and applied by the ceding insurer or its successors in interest by operation of law, including without limitation any liquidator, rehabilitator, receiver, or conservator of such company, without diminution because of insolvency on the part of the ceding insurer or the assuming insurer, only for the following purposes:
 - (i) to reimburse the ceding insurer for the assuming insurer's share of premiums returned to the owners of policies reinsured under the reinsurance agreement because of cancellations of such policies;
 - (ii) to reimburse the ceding insurer for the assuming insurer's share of surrenders and benefits or losses paid by the ceding insurer, but not yet recovered from the assuming insurers;
 - (iii) to pay or reimburse the ceding insurer any other amounts necessary to secure the credit or reduction from liability for reinsurance taken by the ceding insurer; and
 - (iv) when the letter of credit will expire without renewal or be reduced or replaced by a letter of credit for a reduced amount and where the assuming insurer's entire obligations under the reinsurance agreement remain unliquidated and undischarged 10 days prior to the termination date, to withdraw amounts equal to the assuming insurer's share of the liabilities, to the extent that the liabilities have not yet been funded by the assuming insurer and exceed the amount of any reduced or replacement letter of credit, and deposit those amounts in a separate account in the name of the ceding insurer in a qualified U.S. financial institution apart from its general assets, in trust for such uses and purposes specified in this rule as may remain after withdrawal and for any period after the termination date.
- (2) The reinsurance agreement may provide for amounts due, reasonable interest, and awards by an arbitration panel or court of competent jurisdiction.

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

Implementing statute(s): 33-2-1217, MCA

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