



ADMINISTRATIVE RULES OF MONTANA



6.6.6722 EXEMPTIONS

- (1) ARM 6.6.6720 through 6.6.6727 do not apply to the situations described below:
 - (a) reinsurance of:
 - (i) Policies that satisfy the criteria for exemption set forth in ARM 6.6.6709(5) and (6) and (11) through (13) or ARM 6.6.6709(14), and which are issued before the later of:
 - (A) September 1, 2022; and
 - (B) The date on which the ceding insurer begins to apply the provisions of VM-20 to establish the ceded policies' statutory reserves, but in no event later than January 1, 2020;
 - (ii) Portions of policies that satisfy the criteria for exemption set forth in ARM 6.6.6709(7) through (10) and which are issued before the later of:
 - (A) September 1, 2022; and
 - (B) The date on which the ceding insurer begins to apply the provisions of VM-20 to establish the ceded policies' statutory reserves, but in no event later than January 1, 2020;
 - (iii) Any universal life policy that meets all of the following requirements:
 - (A) Secondary guarantee period, if any, is five years or less;
 - (B) Specified premium for the secondary guarantee period is not less than the net level reserve premium for the secondary guarantee period based on the commissioners standard ordinary (CSO) valuation tables and valuation interest rate applicable to the issue year of the policy; and
 - (C) The initial surrender charge is not less than 100% of the first year annualized specified premium for the secondary guarantee period;
 - (iv) Credit life insurance;
 - (v) Any variable life insurance policy that provides for life insurance, the amount or duration of which varies according to the investment experience of any separate account or accounts; or
 - (vi) Any group life insurance certificate unless the certificate provides for a stated or implied schedule of maximum gross premiums required in order to continue coverage in force for a period in excess of one year.

- (b) Reinsurance ceded to an assuming insurer that meets the applicable requirements of 33-2-1216(5), MCA; or
- (c) Reinsurance ceded to an assuming insurer that meets the applicable requirements of 33-2-1216(2), (3), or (4), MCA, and that, in addition:
 - (i) Prepares statutory financial statements in compliance with the NAIC Accounting Practices and Procedures Manual, without any departures from NAIC statutory accounting practices and procedures pertaining to the admissibility or valuation of assets or liabilities that increase the assuming insurer's reported surplus and are material enough that they need to be disclosed in the financial statement of the assuming insurer pursuant to Statement of Statutory Accounting Principles No. 1 (SSAP 1); and
 - (ii) Is not in a company action level event, regulatory action level event, authorized control level event, or mandatory control level event as those terms are defined in Title 33, chapter 2, part 19, MCA, when its RBC is calculated in accordance with the life risk-based capital report including overview and instructions for companies, as the same may be amended by the NAIC from time to time, without deviation; or
- (d) Reinsurance ceded to an assuming insurer that meets the applicable requirements of 33-2-1216(2), (3), or (4), MCA, and that, in addition:
 - (i) Is not an affiliate, as that term is defined in 33-2-1101, MCA, of:
 - (A) The insurer ceding the business to the assuming insurer; or
 - (B) Any insurer that directly or indirectly ceded the business to that ceding insurer;
 - (ii) Prepares statutory financial statements in compliance with the NAIC Accounting Practices and Procedures Manual;
 - (iii) Is both:
 - (A) Licensed or accredited in at least 10 states (including its state of domicile); and
 - (B) Not licensed in any state as a captive, special purpose vehicle, special purpose financial captive, special purpose life reinsurance company, limited purpose subsidiary, or any other similar licensing regime; and
 - (iv) Is not, or would not be, below 500% of the authorized control level RBC as that term is defined in Title 33, chapter 2, part 19, MCA, when its risk-based capital (RBC) is calculated in accordance with the life risk-based capital report including overview and instructions for companies, as the same may be amended by the NAIC from time to time, without deviation, and without recognition of any departures from NAIC statutory accounting practices and procedures pertaining to the admission or valuation of assets or liabilities that increase the assuming insurer's reported surplus; or
- (e) Reinsurance ceded to an assuming insurer that satisfies one of the following requirements:
 - (i) meets the conditions set forth in 33-2-1216(7), MCA; or
 - (ii) is certified in this state as a reinsurer pursuant to 33-2-1216(6), MCA; or

- (iii) maintains at least \$250 million in capital and surplus when determined in accordance with the NAIC Accounting Practices and Procedures Manual, excluding the impact of any permitted or prescribed practices and:
 - (A) is licensed in at least 26 states; or
 - (B) is licensed in at least 10 states, and licensed or accredited in a total of at least 35 states; or
- (f) Reinsurance not otherwise exempt under (a) through (e) of this rule if the commissioner, after consulting with the NAIC Financial Analysis Working Group (FAWG) or other group of regulators designated by the NAIC, as applicable, determines under all the facts and circumstances that all of the following apply:
 - (i) The risks are clearly outside of the intent and purpose of ARM 6.6.6720 through 6.6.6727 (as described in ARM 6.6.6720(2));
 - (ii) The risks are included within the scope of ARM 6.6.6720 through 6.6.6727 only as a technicality; and
 - (iii) The application of ARM 6.6.6720 through 6.6.6727 to those risks is not necessary to provide appropriate protection to policyholders. The commissioner shall publicly disclose any decision made pursuant to this provision to exempt a reinsurance treaty from ARM 6.6.6720 through 6.6.6727, as well as the general basis therefor (including a summary description of the treaty).

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

Implementing statute(s): 33-2-1216, 33-2-1217, MCA

History: NEW, 2022 MAR p. 1691, Eff. 9/1/22.