



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF THE COMMISSIONER

PO BOX 325

TRENTON, NJ 08625-0325

TEL (609) 292-7272

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

KENNETH E. KOBYLowski
Acting Commissioner

BULLETIN NO. 12-04

TO: ALL DOMESTIC INSURERS AND ANY INSURER SEEKING TO BE
A CERTIFIED REINSURER

FROM: KENNETH E. KOBYLowski, ACTING COMMISSIONER

RE: CHANGES TO CREDIT FOR REINSURANCE REQUIREMENTS,
N.J.A.C. 11:2-28

N.J.S.A. 17:51B-1 et seq. sets forth the requirements for a New Jersey domestic insurer (or any insurer doing business in this State not subject to similar requirements or standards) to receive credit for reinsurance, either as an asset or a deduction from liability. The Department of Banking and Insurance ("Department") adopted implementing rules in 1993 at N.J.A.C. 11:2-28. The credit for reinsurance statute and rules are based on models adopted by the National Association of Insurance Commissioners ("NAIC").

N.J.S.A. 17:51B-2 was amended by P.L. 2011, c. 39, effective June 20, 2011, to include a new subsection f which provides that the Commissioner of Banking and Insurance ("Commissioner") may, in his or her discretion, allow credit for reinsurance if the reinsurance is ceded to an assuming insurer not meeting the requirements of N.J.S.A. 17:51B-2a, b, c, or d, if the assuming insurer holds surplus or an equivalent in excess of \$250 million. The statute as amended also sets forth specific factors that the Commissioner shall consider in determining whether such credit should be allowed, including, but not limited to, the following:

1. The reinsurer has a secure financial strength rating from at least two nationally recognized statistical rating organizations deemed acceptable by the Commissioner;
2. The domiciliary regulatory jurisdiction of the assuming insurer;
3. The structure and authority of the domiciliary regulator with regard to solvency regulation requirements and the financial surveillance of the reinsurer; and
4. The substance of financial and operating standards for reinsurers in the domiciliary jurisdiction.

The Department proposed new rules N.J.A.C. 11:2-28.7A through 28.7D, in the February 21, 2012 issue of the New Jersey Register to implement the amended statute. The proposed new rules provide the standards by which a reinsurer may be deemed a certified reinsurer for purposes of insurers taking a credit, as an asset or a deduction from liability, for amounts ceded to or assumed by such a reinsurer. The new rules are based on recently adopted changes to the NAIC model credit for reinsurance regulation. In addition, amendments are proposed to the existing rules to more closely track the current NAIC model act and regulation in other respects as described more fully in the proposal.

The proposal may be viewed online on the Department's website at: http://www.state.nj.us/dobi/proposed/prn12_33.pdf.

Insofar as the proposed new rules and amendments implement existing law and more closely reflect the national standard for credit for reinsurance, the Department is advising that, pending the adoption of the rules and amendments, insurers may seek to take credit for reinsurance ceded in accordance with the proposed new rules and amendments. Insurers also may apply to become a certified reinsurer in accordance with the proposed new rules.

Any questions on this bulletin may be directed to Richard Schlesinger, Chief of Reinsurance and Surplus Lines at richard.schlesinger@dobi.nj.gov.

March 14, 2012
Date



Kenneth E. Kobylowski
Acting Commissioner

jc12-03/inord