**Section 1104.45 Credit for Reinsurance – Certified Reinsurers**

a) Pursuant to Section 173.1 of the Code***,*** the Director shall allow credit for reinsurance ceded by a domestic insurer to an assuming insurer that has been certified as a reinsurer in Illinois at all times for which statutory financial statement credit for reinsurance is claimed under this Section. The credit allowed 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 Director. The security shall be in a form consistent with the provisions of Section 173.1 of the Code. The amount of security required for full credit to be allowed shall correspond with the following requirements:

1) Affiliated reinsurance transactions shall receive the same opportunity for reduced security requirements as all other reinsurance transactions.

2) The Director shall require the certified reinsurer to post, for the benefit of the ceding insurer or its estate, 100% security upon the entry of an order of rehabilitation, liquidation or conservation against the ceding insurer.

3) To facilitate the prompt payment of claims, if the Director has assigned a Secure-1, Secure-2, Secure-3 or Secure-4 rating to a certified reinsurer under Section 173.1(1)(C-5)(5) of the Code, the Director may allow the certified reinsurer to defer posting security for catastrophe recoverables for a period of up to 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 that is likely to result in significant insured losses recognized by the Director. The one-year deferral period is contingent upon the certified reinsurer continuing to pay claims in a timely manner in compliance with its contractual obligations as set forth in the reinsurance agreement under which the claims are ceded. Reinsurance recoverables for only the following lines of business, as reported on the NAIC annual financial statement related specifically to the catastrophic occurrence, will be included in the deferral:

A) Line 1: Fire

B) Line 2: Allied Lines

C) Line 3: Farmowners multiple peril

D) Line 4: Homeowners multiple peril

E) Line 5: Commercial multiple peril

F) Line 9: Inland Marine

G) Line 12: Earthquake

H) Line 21: Auto physical damage

b) Certification Procedure

1) The Director shall issue written notice to an assuming insurer that has applied and been approved as a certified reinsurer. Included in the notice shall be the rating assigned to the certified reinsurer in accordance with subsection (a). The Director shall publish a list of all certified reinsurers and their ratings.

2) The assuming insurer must submit a properly executed Form CR-1 as evidence of its submission to the jurisdiction of Illinois, appointment of the Director as an agent for service of process in Illinois, and agreement to provide security for 100% of the assuming insurer's liabilities attributable to reinsurance ceded by U.S. ceding insurers if it resists enforcement of a final U.S. judgment. The Director shall not certify any assuming insurer that is domiciled in a jurisdiction that the Director has determined does not adequately and promptly enforce final U.S. judgments or arbitration awards.

3) The certified reinsurer must agree to meet applicable information filing requirements, as determined by the Director, both with respect to an initial application for certification and on an ongoing basis. The assuming insurer must pay all costs and expenses associated with the review and evaluation of its application to become a certified reinsurer. All information submitted by certified reinsurers that is not otherwise public information subject to disclosure (see 5 ILCS 140/7(s) and (t)) shall be exempted from disclosure under Section 173.1 of the Code and shall be withheld from public disclosure. The applicable information filing requirements are as follows:

A) Notification within 10 days after any regulatory actions taken against the certified reinsurer, any change in the provisions of its domiciliary license, or any change in rating by an approved rating agency, including a statement describing the changes and the reasons for the changes;

B) For certified reinsurers not domiciled in the U.S., Form CR-F (for property and casualty reinsurers) or Form CR-S (for life and health reinsurers), which are required to be filed annually and are available on the Department's website at https://insurance.illinois. gov;

C) Annually, the report of the independent auditor on the financial statements of the insurance enterprise, on the basis described in subsection (b)(3)(D);

D) Financial Statements

i) Annually, audited financial statements, regulatory filings, and actuarial opinion (as filed with the certified reinsurer's supervisor, with a translation into English).

ii) Upon the initial certification, audited financial statements for the last 2 years filed with the certified reinsurer's supervisor;

E) At least annually, an updated list of all disputed and overdue reinsurance claims regarding reinsurance assumed from U.S. domestic ceding insurers;

F) A certification from the certified reinsurer's domestic regulator that the certified reinsurer is in good standing and maintains capital in excess of the jurisdiction's highest regulatory action level; and

G) Any other information that the Director may reasonably require.

c) The certified reinsurer shall provide and maintain security in an amount sufficient to avoid the imposition of any financial statement penalty on the ceding insurer under Section 173.1(1)(C-5)(8)(f) of the Code for reinsurance ceded to the certified reinsurer. Reinsurance contracts entered into or renewed under this Section 1104.45 shall include this requirement as a proper funding clause in addition to the clauses required under Section 1104.100.

(Source: Amended at 46 Ill. Reg. 10885, effective June 10, 2022)