

PROJECT HISTORY - 2014

MODEL GUIDELINE FOR PAYMENT OF INTEREST TO RECEIVER ON OVERDUE REINSURANCE RECOVERABLES (#1600)

1. Description of the Project, Issues Addressed, etc.

During 2010 and 2011, the Receivership Reinsurance Recoverables (E) Working Group, at the direction of the Receivership and Insolvency (E) Task Force, reviewed and drafted possible solutions to address concerns for the timing and collection of reinsurance recoverables held by insurers in receivership.

The Working Group reviewed suggestions and decided on possible solutions. One of the solutions the Working Group recommended is to require interest on overdue reinsurance payments. This solution is intended to bring leverage against reinsurers by requiring them to pay interest applicable to delayed payments with uniform language across states.

On March 27, 2011, the Working Group issued a memorandum to the Receivership and Insolvency (E) Task Force, and on June 8, 2011, the Task Force sent a referral to the Reinsurance (E) Task Force recommending it consider the uniform reinsurance contract language in the *Credit for Reinsurance Model Law (#785)* to address interest on overdue payments in receivership.

On Sept. 19, 2011, the Financial Condition (E) Committee received a separate referral from the Receivership and Insolvency (E) Task Force requesting assistance with the recommended solution from the adopted March 27 memorandum regarding the enforcement of the collection of undisputed balances. The Committee requested that the Reinsurance (E) Task Force study issues regarding regulatory support for the collection of undisputed reinsurance recoverable balances held by ceding insurance companies in receivership and consider any appropriate NAIC action.

On Feb. 27, 2012, the Reinsurance (E) Task Force issued a report to the Receivership and Insolvency (E) Task Force stating it received and discussed requests from Receivership and Insolvency (E) Task Force during an interim meeting on July 11, 2011, during the process of considering revisions to the *Credit for Reinsurance Model Law (#785)* and *Credit for Reinsurance Model Regulation (#786)*. With regard to the proposed reinsurance contract language to address interest on overdue payments, following discussion with regulators and interested parties, the Reinsurance (E) Task Force determined that a mandatory contract clause within the Model #785 or Model #786 would not be the appropriate mechanism to address this item. The members generally agreed with the intent of the proposed solution; however, the general consensus was that this item might be more

Receivership Model Act (#555), with a focus on section 504-Powers of the Liquidator, and 611-Reinsurer's Liability; and the language of the Model Acts preceding Model #555—*Insurers Rehabilitation and Liquidation Model Act* and the *Insurers Supervision, Rehabilitation and Liquidation Model Act*. Based on this review, a proposed Guideline was drafted for discussion.

2. Name of Group Responsible for Drafting the Model and States Participating

The Working Group was responsible for drafting the Guideline. The 2013-2014 members of the Working Group that drafted the Guideline were: Delaware (Chair), Illinois, Indiana, Pennsylvania, and Texas. The five-member Working Group adopted the Guideline Aug. 16, 2014.

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3. Project Authorized by What Charge and Date First Given to the Group

The Working Group, at the direction of the Receivership and Insolvency (E) Task Force, was reconstituted March 4, 2012, and charged to study and provide a recommendation for the issue of requiring interest on overdue reinsurance payments in receivership.

4. A General Description of the Drafting Process and Due Process

- x The Guideline was discussed at open meetings of the Working Group held Dec. 15, 2013; Mar. 29, 2014; and Aug. 16, 2014.
- x The Guideline was exposed for public comment from Dec. 15, 2013–

6. Any Other Important Information

None.