

**APPLICATION FOR OBTAINING
AUTHORIZED/ACCREDITED
REINSURER STATUS
(If Not Licensed in Wisconsin)**



State of Wisconsin
Office of the Commissioner of Insurance
125 South Webster Street
P. O. Box 7873
Madison, WI 53707-7873
(608) 266-3585

Ref: Ch. Ins 52, Wis. Adm. Code

Name of Assuming Insurer		
State of Domicile	NAIC No.	Fed. I.D. No.
Contact Person Name	Telephone No. ()	

Indicate with a check mark the section of ch. Ins 52, Wis. Adm. Code, under which the application is being made. Please also check each of the required items listed under that section to indicate their inclusion with the filing of your application. For reference, a **Form AR-1** and copies of the applicable sections of Wisconsin Administrative Code are attached. These also provide information regarding subsequent filings.

NOTE: Items identified with an asterisk to be filed on or before due dates to maintain authorized/accredited reinsurance status. There are no filing fees.

_____ Applying under s. Ins 52.02 (2), Wis. Adm. Code. The reinsurer is applying for **accredited status** in Wisconsin due to the fact it is not domiciled in an accredited state and/or has less than \$20,000,000 in surplus and seeks to be considered an authorized reinsurer when assuming from unaffiliated companies.

_____ A complete and properly executed Form AR-1 is enclosed.

_____ A current list of Wisconsin-domiciled insurers reinsured by the reinsurer is attached.

_____ A certified copy of a letter, certificate of authority, or certificate of compliance from domiciliary state evidencing licensed status is enclosed.

_____ A copy of the reinsurer's most recent annual statement, most recent quarterly statement, and most recent audit report is enclosed.

_____ Applying under s. Ins 52.02 (3), Wis. Adm. Code. The reinsurer is "domiciled and licensed in" or "a U.S. branch of an assuming alien insurer is entered through" **a state with similar or stricter credit for reinsurance requirements** and "assumes the reinsurance under pooling arrangements among insurers in the same holding company system" or "maintains policyholder surplus in an amount not less than \$20,000,000."

_____ A complete and properly executed Form AR-1 is enclosed.

_____ A current list of Wisconsin-domiciled insurers reinsured by the reinsurer is attached.

_____ Applying under s. Ins 52.02 (4), Wis. Adm. Code. The reinsurer is applying to become authorized under the **trust fund method** and maintains a trust balance greater than or equal to the sum of \$20,000,000 plus the reinsurer's liabilities attributable to business written in the U.S. or the reinsurers are a group of incorporated and individual unincorporated underwriters, and the group maintains a trust fund balance of at least \$100,000,000 plus the group's aggregate liabilities attributable to business written in the U.S.

_____ A copy of the most recent trust fund agreement is enclosed. **(Any proposed subsequent amendments must be approved in writing and in advance by the Commissioner.)**

_____ *Copies of the most recent annual and quarterly statements representing the business written in the U.S., on the form prescribed by the National Association of Insurance Commissioners (NAIC) identical to that used for licensed insurers, and in accordance with the NAIC's Annual Statement Instructions, including those specifying a "Statement of Actuarial Opinion" by a qualified actuary. (Subsequent filings due annually by March 1.)

Chapter Ins 52

CREDIT FOR REINSURANCE

<p>Ins 52.01 Definitions.</p> <p>Ins 52.02 Credit allowed a licensed ceding insurer.</p> <p>Ins 52.025 Revocation of accreditation or certification.</p> <p>Ins 52.03 Insolvency clause and jurisdiction; financial reinsurance disallowed.</p> <p>Ins 52.04 Reduction from liability for reinsurance ceded by a licensed insurer to an assuming insurer.</p>	<p>Ins 52.05 Trust agreements qualifying for security.</p> <p>Ins 52.06 Letters of credit.</p> <p>Ins 52.065 Concentration Risk.</p> <p>Ins 52.07 Applicability.</p>
---	--

Ins 52.01 Definitions. In this chapter, unless the context otherwise requires:

- (1) "Policyholder surplus" means capital and surplus.
- (2) "Qualified United States financial institution" means an institution that:
 - (a) Is organized or, in the case of a United States office of a foreign banking organization, licensed, under the laws of the United States or any state;
 - (b) Is regulated, supervised and examined by United States federal or state authorities having regulatory authority over banks and trust companies; and
 - (c) Has been determined by either the commissioner or equivalent official of the ceding insurer's state of domicile, or the securities valuation office of the national association of insurance commissioners, to meet such standards of financial condition and standing as are considered necessary and appropriate to regulate the quality of financial institutions whose letters of credit will be acceptable to the commissioner or equivalent official.
- (3) "Qualified fiduciary United States financial institution" means an institution that:
 - (a) Is organized or, in the case of a United States branch or agency office of a foreign banking organization, licensed, under the laws of the United States or any state; and
 - (b) Is regulated, supervised and examined by United States federal or state authorities having regulatory authority over banks and trust companies.

History: Cr. Register, July, 1993, No. 451, eff. 8-1-93.

Ins 52.02 Credit allowed a licensed ceding insurer. Except as provided by s. [Ins 52.04](#) and unless otherwise prohibited by the commissioner, a domestic insurer may take credit for ceded reinsurance as either an asset or a deduction from liability only if the reinsurer at all times complies with one or more of the following:

- (1) The reinsurer is licensed as an insurer in this state.
 - (2) The reinsurer is accredited in this state by the commissioner at the time credit is claimed or taken and the reinsurer:
 - (a) Files with the commissioner evidence of its submission to this state's jurisdiction;
 - (b) Submits to this state's authority to examine its books and records;
 - (c) Files a properly executed Form AR-1 as evidence of its submission to this state's jurisdiction and to this state's authority to examine its books and records;
- Note:** Form AR-1 is published as Chapter [Ins 52 Appendix A](#).
- (d) Is licensed to transact insurance or reinsurance in at least one state, or in the case of a United States branch of an alien assuming insurer is entered through and licensed to transact insurance or reinsurance in at least one state;
 - (e) Files with the commissioner a certified copy of a letter or a certificate of authority or of compliance as evidence that it is licensed to transact insurance or reinsurance, or, in the case of a United States branch of an alien assuming insurer, is entered

through and licensed to transact insurance or reinsurance, as required under par. (d);

(f) Files annually with the commissioner by March 1, or a later date approved in writing by the commissioner, a copy of its annual statement filed with the insurance department of its state of domicile or, in the case of an alien assuming insurer, with the state through which it is entered and in which it is licensed to transact insurance or reinsurance, and a copy of its most recent audited financial statement annually by June 1; and

(g) Unless otherwise specifically approved in writing by the commissioner, maintains policyholder surplus in an amount which is not less than \$20,000,000.

(h) Demonstrates to the satisfaction of the commissioner that it has adequate financial capacity to meet its reinsurance obligations and is otherwise qualified to assume reinsurance from domestic insurers. An assuming insurer is presumed to meet this requirement as of the time of its application if it maintains a surplus as regards policyholders in an amount not less than \$20,000,000 and its accreditation has not been denied by the commissioner within 90 days after submission of its application.

(3) The reinsurer is domiciled and licensed in, or in the case of a United States branch of an alien assuming insurer is entered through, a state which employs standards regarding credit for reinsurance which the commissioner determines equal or exceed the standards applicable under this chapter and the reinsurer or United States branch of an alien reinsurer:

- (a) Submits to the authority of this state to examine its books and records;
- (b) Files a form AR-1 with the commissioner to comply with par. (a); and

Note: Form AR-1 is published as Chapter [Ins 52 Appendix A](#).

- (c) Complies with one or more of the following:
 1. The reinsurer or United States branch assumes the reinsurance under pooling arrangements among insurers in the same holding company system; or
 2. The reinsurer maintains policyholder surplus in an amount not less than \$20,000,000.

(4) The reinsurer complies with all of the following:

(a) The reinsurer maintains a trust fund in a qualified fiduciary United States financial institution for the payment of the valid claims of its United States policyholders and ceding insurers, their assigns and successors in interest.

(b) The reinsurer reports annually, by March 1, or a later date which the commissioner approves in writing, to the commissioner information substantially the same as that required to be reported on the National Association of Insurance Commissioners Annual Statement form by licensed insurers to enable the commissioner to determine the sufficiency of the trust fund.

(c) The reinsurer maintains in a trust account funds equal to an amount that is not less than the assuming insurer's liabilities attributable to business written in the United States and, in addition, the reinsurer maintains a trustee surplus of not less than \$20,000,000.

(d) If the reinsurers are a group including incorporated and individual unincorporated underwriters, the reinsurers maintain in a trusteed account funds, for reinsurance ceded under reinsurance agreements with an inception, amendment or renewal date on or after January 1, 1993, in an amount not less than the respective underwriters' several liabilities attributable to business ceded by United States domiciled ceding insurers to any member of the group. For reinsurance ceded under reinsurance agreements with an inception, amendment or renewal date on or before December 31, 1992, the reinsurer shall maintain in a trusteed account funds in amount not less than the respective underwriters' several insurance and reinsurance liabilities attributable to business written in the United States. In addition, the group maintains a trusteed surplus of which \$100,000,000 shall be held jointly for the benefit of United States ceding insurers of any member of the group; the incorporated members of the group are not engaged in any business other than underwriting as a member of the group and are subject to the same level of solvency regulation and control by the group's domiciliary regulator as are the unincorporated members; and the group makes available to the commissioner or equivalent official of the ceding licensed insurer's state of domicile or entry an annual certification of the solvency of each underwriter by the group's domiciliary regulator and its independent public accountants. For a domestic insurer, the certification shall be filed with the commissioner by June 1 unless otherwise approved in writing by the commissioner.

(e) The trust is established in a form approved by the commissioner or equivalent official of the ceding licensed insurer's state of domicile or entry. The trust instrument shall provide, and the trustees comply with, all of the following:

1. Contested claims shall be valid and enforceable out of funds in the trust if the claims remain unsatisfied 30 days after the entry of a final order of any court of competent jurisdiction in the United States.

2. Legal title to the assets of the trust is vested in the trustee of the trust for the benefit of the grantor's United States policyholders and ceding insurers, their assigns and successors in interest.

3. The trust and the assuming insurer are subject to examination as determined by the commissioner.

4. The trust shall remain in effect for as long as the assuming insurer, or any member or former member of a group of insurers, has outstanding obligations due under the reinsurance agreements subject to the trust.

5. No later than February 28 of each year, unless a later date is approved in writing by the commissioner or equivalent official of the ceding licensed insurer's state of domicile or entry, the trustees of the trust shall report to the commissioner or equivalent official of the ceding licensed insurer's state of domicile or entry in writing setting forth the balance in the trust and listing the trust's investments at the preceding year end, and shall certify the date of termination of the trust, if so planned, or certify that the trust shall not expire prior to the next following December 31.

6. No amendment to the trust may be effective unless reviewed and approved in writing and in advance by the commissioner or equivalent official of the ceding licensed insurer's state of domicile or entry.

7. Notwithstanding any other provision of the trust instrument, if the trust fund is inadequate because it contains an amount less than the amount required by this subsection or if the grantor of the trust has been declared insolvent or placed into receivership, rehabilitation, liquidation or similar proceedings under the laws of its state or country of domicile, the trustee shall comply with an order of the commissioner with regulatory oversight over the trust or with an order of a court of competent jurisdiction directing the trustee to transfer to the commissioner with regulatory oversight over the trust or other designated receiver all of the assets of the trust fund. The assets shall be distributed by and

claims shall be filed with and valued by the commissioner with regulatory oversight over the trust in accordance with the laws of the state in which the trust is domiciled applicable to the liquidation of domestic insurance companies. If the commissioner with regulatory oversight over the trust determines the assets of the trust fund or any part thereof are not necessary to satisfy the claims of the U.S. beneficiaries of the trust, the commissioner with regulatory oversight over the trust shall return the assets to the trustee for distribution in accordance with the trust agreement. The grantor shall waive any right otherwise available to it under federal law that is inconsistent with this provision.

8. If the commissioner has principal regulatory oversight of the trust, at any time after the assuming insurer has permanently discontinued writing new business for at least three years, the commissioner may authorize a reduction in the required trusteed surplus, but only after finding, based on an assessment of the risk, that the new required surplus level is adequate for the protection of U.S. ceding insurers, policyholders and claimants. The risk assessment may involve an actuarial review, including an independent analysis of reserves and cash flows, and shall consider all material risk factors, including when applicable the lines of business involved, the stability of incurred loss estimates and the effect of the surplus requirements on the assuming insurer's liquidity or solvency. The minimum required trusteed surplus may not be reduced to an amount less than 30% of the assuming insurer's liabilities attributable to reinsurance ceded by U.S. ceding insurers.

(4m) The reinsurance is ceded to an assuming insurer that has been certified by the commissioner as a reinsurer in this state and secures its obligations in accordance with the requirements of this subsection.

(a) In order to be eligible for certification, the assuming insurer shall meet the following requirements:

1. The assuming insurer shall be domiciled and licensed to transact insurance or reinsurance in a qualified jurisdiction, as determined by the commissioner pursuant to par. (c) of this subsection. If a certified reinsurer's domiciliary jurisdiction ceases to be a qualified jurisdiction, the commissioner has the discretion to suspend the reinsurer's certification indefinitely, in lieu of revocation.

2. The assuming insurer shall maintain minimum capital and surplus, or its equivalent, of not less than \$250,000,000. This requirement may also be satisfied by a group including incorporated and individual unincorporated underwriters having minimum capital and surplus equivalents, net of liabilities, of at least \$250,000,000 and a central fund containing a balance of at least \$250,000,000. For certified reinsurers not domiciled in the U.S., minimum capital and surplus shall be determined on a U.S. GAAP basis.

3. The assuming insurer shall apply for certification and maintain current financial strength rating from two or more approved rating agencies. Approved rating agencies include Fitch Investor Service, Inc., Standard & Poor's Corporation, Moody's Investors Service, Inc., and A.M. Best Company. The commissioner shall assign a rating to each certified reinsurer and publish a list of all certified reinsurers and their ratings. The commissioner shall post notice on the office's website promptly upon receipt of any application of certification including instructions on how members of the public may comment on the application. The commissioner shall issue a written notice to an assuming insurer no sooner than 30 days after receipt of the application indicating whether the assuming insurer has been approved for certification. If approved as a certified reinsurer, the notice shall include the rating assigned by the commissioner in accordance with this subdivision. Each certified reinsurer shall be rated on a legal entity basis, with consideration given to the group rating when the commissioner deems appropriate, except that a group including incorporated and individual unincorporated underwriters that has

Chapter Ins 52

APPENDIX A

**FORM AR-1
CERTIFICATE OF ASSUMING INSURER**

I, _____, _____ of _____, the assuming insurer under
(name of officer) (title of officer) (name of assuming insurer)
a reinsurance agreement(s) with one or more insurers domiciled in _____, hereby certify that
(name of state)

(name of assuming insurer) (“Assuming Insurer”):

1. Submits to the jurisdiction of any court of competent jurisdiction in _____
(ceding insurer’s state of domicile)
for the adjudication of any issues arising out of the reinsurance agreement(s), agrees to comply with all requirements necessary to give such court jurisdiction, and will abide by the final decision of such court or any appellate court in the event of an appeal. Nothing in this paragraph constitutes or should be understood to constitute a waiver of Assuming Insurer’s rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. This paragraph is not intended to conflict with or override the obligation of the parties to the reinsurance agreement(s) to arbitrate their disputes if such an obligation is created in the agreement(s).

2. Designates the Insurance Commissioner of _____ as its lawful attorney upon
(ceding insurer’s state of domicile)
whom may be served any lawful process in any action, suit or proceeding arising out of the reinsurance agreement(s) instituted by or on behalf of the ceding insurer.

3. Submits to the authority of the Insurance Commissioner of _____ to examine
(ceding insurer’s state of domicile)
its books and records and agrees to bear the expense of any such examination.

4. Submits with this form a current list of insurers domiciled in _____ reinsured
(ceding insurer’s state of domicile)
by Assuming Insurer and undertakes to submit additions to or deletions from the list to the Insurance Commissioner at least once per calendar quarter.

Dated: _____
(name of assuming insurer)

BY: _____
(name of officer)

(title of officer)