



March 2018

REINSURANCE – CONCENTRATION RISK

Ref: Sec. Ins 52.065, Wis. Adm. Code

Wisconsin implemented the NAIC Credit for Reinsurance Model Law effective January 1, 2018. Among the provisions enacted as part of this implementation was s. Ins 52.065, Wis. Adm. Code, which reads as follows:

Ins 52.065 Concentration Risk. (1) A ceding insurer shall take steps to manage its reinsurance recoverable balances proportionate to its own book of business. A domestic ceding insurer shall notify the commissioner within 30 days after reinsurance recoverable from any single assuming insurer, or group of affiliated assuming insurers, exceeds 50% of the domestic ceding insurer's last reported surplus to policyholders, or after it determined that reinsurance recoverable from any single assuming insurer, or of affiliated assuming insurers, is likely to exceed this limit. The notification shall include an explanation demonstrating that the exposure is safely managed by the domestic ceding insurer.

(2) A ceding insurer shall take steps to diversity its reinsurance program. A domestic ceding insurer shall notify the commissioner within 30 days after ceding to any single assuming insurer, or group of affiliated assuming insurers, more than 20% of the ceding insurer's gross written premium in the prior calendar year, or after it has determined that the reinsurance ceded to any single assuming insurer, or group of affiliated assuming insurers, is likely to exceed this limit. The notification shall include an explanation demonstrating that the exposure is safely managed by the domestic ceding insurer.

Each domestic insurer is required to file a report to this office within 30 days of when the conditions under Paragraph 1 or Paragraph 2 have been met, or are determined to likely to be met.

1. PARAGRAPH 1 – REINSURANCE RECOVERABLE

Furnish the following information for each instance in which the condition in Par. 1 has been triggered. Surplus to policyholders is surplus reported on the reporting entity's most recent quarterly financial statement filed with the National Association of Insurance Commissioners (NAIC).

- a. Name and address of the reporting entity
- b. Reporting date
- c. Surplus reported on the most recent financial statement filed with NAIC
- d. Name, title, e-mail address and telephone number of individual to whom notices and correspondence concerning this filing should be addressed.
- e. Name of an assuming reinsurer or a group of affiliated reinsurers from which reinsurance recoverable triggered the reporting condition.
- f. Reinsurance recoverable from a single assuming reinsurer or a group of affiliated reinsurers that triggered the filing condition. Reinsurance recoverable from a group of affiliated reinsurers should be combined for the reporting purposes whether the group is affiliated with the reporting entity or not. The filing should be made each time the filing condition is met. The following information should be provided:

- P&C companies: reinsurance recoverable on paid losses and loss adjustment expenses, reinsurance recoverable on unpaid losses and loss adjustment expenses, and unearned premium
 - Life and Fraternal companies: reserve credit taken and unearned premium when applicable
 - Health companies: reserve credit taken and unearned premium
- g. An explanation demonstrating that the exposure is safely managed by the insurer, including a description of the type of reinsurance, lines covered and the effective date of the contract(s).

2. PARAGRAPH 2 – REINSURANCE PREMIUM

Furnish the following information if the condition in Par. 2 has been triggered.

- a. Name and address of the reporting entity
- b. Reporting date
- c. Name, title, e-mail address and telephone number of individual to whom notices and correspondence concerning this filing should be addressed.
- d. Premium ceded to a single assuming reinsurer or a group of affiliated assuming reinsurers that triggered the filing condition. Reinsurance premium ceded to a group of affiliated reinsurers should be combined for the reporting purposes whether the group is affiliated with the reporting entity or not.
- e. An explanation demonstrating that the exposure is safely managed by the insurer, including a description of the type of reinsurance, lines covered and the effective date of the contract(s).