

**As Reported by the House Insurance Committee**

**133rd General Assembly**

**Regular Session**

**2019-2020**

**H. B. No. 528**

**Representative LaRe**

**Cosponsor: Representative Seitz**

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**A BILL**

To amend sections 3901.62 and 3901.64 of the  
Revised Code to amend the law related to  
insurers receiving credit for reinsurance.

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**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That sections 3901.62 and 3901.64 of the  
Revised Code be amended to read as follows:

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**Sec. 3901.62.** (A) Except as provided in sections 3901.63  
and 3901.64 of the Revised Code, a domestic ceding insurer that  
is authorized to do any insurance business in this state may  
take credit for any reinsurance ceded as either an asset or a  
reduction of liability only if one of the following applies:

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(1) The reinsurance is ceded to an assuming insurer that  
is authorized to do any insurance or reinsurance business in  
this state.

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(2) The reinsurance is ceded to an assuming insurer that  
is accredited by the superintendent of insurance as a reinsurer  
in this state in accordance with division (B) of this section.

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(3) The reinsurance is ceded to an assuming insurer that

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is not authorized to do any insurance or reinsurance business in 18  
this state, provided the reinsurance is ceded to a reinsurance 19  
pool or other risk-sharing entity in which participation is 20  
required by law, rule, or regulation of the jurisdiction in 21  
which the pool or entity is located. 22

(4) The reinsurance is ceded to an assuming insurer that 23  
maintains a trust fund in a qualified United States financial 24  
institution, as defined in section 3901.63 of the Revised Code, 25  
for the payment of the valid claims of its United States 26  
policyholders and ceding insurers, and their assigns and 27  
successors in interest in accordance with division (C) of this 28  
section. 29

(5) The reinsurance is ceded to an assuming insurer that 30  
has been certified by the superintendent as a reinsurer in this 31  
state and that secures its obligations in accordance with 32  
division (D) of this section. 33

(6) The reinsurance is ceded to an assuming insurer that 34  
meets all of the conditions set forth in division (E) of this 35  
section. 36

(B) (1) In order to be eligible for accreditation under 37  
division (A) (2) of this section, the assuming insurer shall do 38  
all of the following: 39

(a) File with the superintendent evidence of its 40  
submission to this state's jurisdiction; 41

(b) Submit to this state's authority to examine its books 42  
and records; 43

(c) Maintain a license to transact insurance or 44  
reinsurance in at least one state or, in the case of a United 45  
States branch of a foreign or alien assuming insurer, be entered 46

through and licensed to transact insurance or reinsurance in at 47  
least one state; 48

(d) File annually with the superintendent a copy of its 49  
annual statement filed with the insurance department of its 50  
state of domicile, and a copy of its most recent audited 51  
financial statement; 52

(e) Demonstrate to the satisfaction of the superintendent 53  
that it has adequate financial capacity to meet its reinsurance 54  
obligations and is otherwise qualified to assume reinsurance 55  
from domestic insurers. 56

(2) An assuming insurer is considered to meet the 57  
requirement of division (B) (1) (e) of this section as of the time 58  
of its application to the superintendent for accreditation if it 59  
maintains a surplus with regard to policyholders in an amount 60  
not less than twenty million dollars, and the superintendent has 61  
not denied its accreditation within ninety days after submission 62  
of its application. 63

(C) (1) A trust maintained by an assuming insurer under 64  
division (A) (4) of this section shall meet the following 65  
requirements: 66

(a) In the case of a single assuming insurer, the trust 67  
shall consist of a trustee account representing the assuming 68  
insurer's liabilities attributable to business underwritten in 69  
the United States. A trustee surplus of not less than twenty 70  
million dollars shall be maintained by the assuming insurer, 71  
except that at any time after the assuming insurer has 72  
permanently discontinued underwriting new business secured by 73  
the trust for at least three full years, the superintendent with 74  
principal regulatory oversight of the trust may authorize a 75

reduction in the required trusted surplus, but only after a 76  
finding, based on an assessment of the risk, that the new 77  
required surplus level is adequate for the protection of ceding 78  
insurers within the United States, policyholders, and claimants 79  
in light of reasonably foreseeable adverse loss development. 80

The risk assessment may involve an actuarial review, 81  
including an independent analysis of reserves and cash flows, 82  
and shall consider all material risk factors, including when 83  
applicable the lines of business involved, the stability of the 84  
incurred loss estimates, and the effect of the surplus 85  
requirements on the assuming insurer's liquidity or solvency. 86

The minimum required trusted surplus shall not be reduced 87  
to an amount less than thirty per cent of the assuming insurer's 88  
liabilities attributable to reinsurance ceded by ceding insurers 89  
within the United States covered by the trust. 90

(b) In the case of a group of assuming insurers, including 91  
incorporated and individual unincorporated underwriters, the 92  
trust shall consist of a trusted account representing the 93  
group's liabilities attributable to business written in the 94  
United States. A trusted surplus shall be maintained by the 95  
group, of which surplus one hundred million dollars shall be 96  
held jointly for the benefit of the United States ceding 97  
insurers of any member of the group. The following requirements 98  
apply to the group of assuming insurers: 99

(i) The incorporated members of the group shall not engage 100  
in any business other than underwriting as a member of the 101  
group, and shall be subject to the same level of solvency 102  
regulation and control by the group's domiciliary regulator as 103  
are the unincorporated members. 104

(ii) The group shall make available to the superintendent 105  
of insurance an annual certification of the solvency of each 106  
underwriter in the group. The certification shall be provided by 107  
the group's domiciliary regulator and its independent public 108  
accountants. 109

(c) In the case of a group of incorporated insurers under 110  
common administration with aggregate policyholders' surplus of 111  
ten billion dollars that has continuously transacted an 112  
insurance business outside the United States for at least three 113  
years immediately prior to assuming reinsurance, the trust shall 114  
be in an amount equal to the group's several liabilities 115  
attributable to business ceded by United States ceding insurers 116  
to any member of the group pursuant to reinsurance contracts 117  
issued in the name of the group. A joint trustee surplus shall 118  
be maintained by the group, of which surplus one hundred million 119  
dollars shall be held jointly for the benefit of United States 120  
ceding insurers of any member of the group as additional 121  
security for any such liabilities. The following requirements 122  
apply to the group of incorporated insurers: 123

(i) The group shall comply with all filing requirements 124  
contained in this section. 125

(ii) The books and records of the group shall be subject 126  
to examination by the superintendent in the same manner as the 127  
books and records of insurers are subject to examination by the 128  
superintendent in accordance with section 3901.07 of the Revised 129  
Code. The group shall bear the expenses of these examinations in 130  
the manner provided by that section. 131

(iii) Each member of the group shall make available to the 132  
superintendent an annual certification of the member's solvency 133  
by the member's domiciliary regulator and an independent public 134

accountant. 135

(2) A trust maintained by an assuming insurer under 136  
division (A)(4) of this section shall remain in effect for as 137  
long as the assuming insurer has outstanding obligations due 138  
under the reinsurance agreements subject to the trust. The trust 139  
shall be in a form approved by the superintendent and shall 140  
include the following: 141

(a) The trust instrument shall provide that contested 142  
claims are valid and enforceable upon the final order of any 143  
court of competent jurisdiction in the United States. 144

(b) The trust shall vest legal title to its assets in the 145  
trustees of the trust for its United States policyholders and 146  
ceding insurers, and their assigns and successors in interest. 147

(c) The trust, and the assuming insurer maintaining the 148  
trust, shall allow the superintendent to conduct examinations in 149  
the same manner as the superintendent conducts examinations of 150  
insurers under section 3901.07 of the Revised Code. 151

(3) No later than the last day of February of each year, 152  
the trustees of a trust maintained by an assuming insurer under 153  
division (A)(4) of this section shall provide the superintendent 154  
with a written report setting forth the balance of the trust and 155  
listing the trust's investments as of the preceding thirty-first 156  
day of December. The trustees shall certify the date of the 157  
termination of the trust, if termination of the trust is 158  
planned, or shall certify that the trust does not expire prior 159  
to the following thirty-first day of December. 160

(4) To enable the superintendent to determine the 161  
sufficiency of a trust maintained by an assuming insurer under 162  
division (A)(4) of this section, the assuming insurer shall 163

annually report information on the trust to the superintendent 164  
that is substantially the same as that information licensed 165  
insurers are required to report under sections 3907.19, 3909.06, 166  
and 3929.30 of the Revised Code on forms adopted under section 167  
3901.77 of the Revised Code. 168

(D) (1) In order to be eligible for certification under 169  
division (A) (5) of this section, the assuming insurer shall do 170  
all of the following: 171

(a) Be domiciled and licensed to transact insurance or 172  
reinsurance in a qualified jurisdiction as determined by the 173  
superintendent pursuant to division (D) (3) of this section; 174

(b) Maintain minimum capital and surplus, or its 175  
equivalent, in an amount to be determined by the superintendent 176  
in rule or regulation; 177

(c) Maintain financial strength ratings from two or more 178  
rating agencies that meet criteria the superintendent sets forth 179  
in rule or regulation; 180

(d) Agree to submit to the jurisdiction of this state, 181  
appoint the superintendent as its agent for service of process 182  
in this state, and agree to provide security for one hundred per 183  
cent of the assuming insurer's liabilities attributable to 184  
reinsurance ceded by ceding insurers in the United States if it 185  
resists enforcement of a final judgment from the United States; 186

(e) Agree to meet applicable information filing 187  
requirements as determined by the superintendent with respect to 188  
an initial application for certification and on an ongoing 189  
basis; 190

(f) Satisfy any other requirements for certification 191  
considered relevant by the superintendent. 192

(2) An association, including incorporated and individual 193  
unincorporated underwriters, may be a certified reinsurer. In 194  
order to be eligible for certification, an association, in 195  
addition to satisfying the requirements of division (D) (1) of 196  
this section, shall also meet the following requirements: 197

(a) The association shall satisfy its minimum capital and 198  
surplus requirements through the capital and surplus equivalents 199  
(net of liabilities), or the net liabilities, of the association 200  
and its members which shall include a joint central fund that 201  
may be applied to any unsatisfied obligation of the association 202  
or any of its members, in an amount determined by the 203  
superintendent in order to provide adequate protection. 204

(b) The incorporated members of the association shall not 205  
be engaged in any business other than underwriting as a member 206  
of the association, and shall be subject to the same level of 207  
regulation and solvency control by the association's domiciliary 208  
regulator as the unincorporated members. 209

(c) The association shall provide the superintendent an 210  
annual certification by the association's domiciliary regulator 211  
of the solvency of each underwriter member within ninety days 212  
after its financial statements are due to be filed with the 213  
association's domiciliary regulator. If a certification is 214  
unavailable, the association shall provide the superintendent 215  
with financial statements prepared by independent public 216  
accountants of each underwriter member of the association. 217

(3) The superintendent shall create and publish a list of 218  
qualified jurisdictions under which an assuming insurer licensed 219  
and domiciled in such jurisdiction is eligible to be considered 220  
by the superintendent for certification as a certified 221  
reinsurer. 222



(a) The superintendent shall consider the list of 223  
qualified jurisdictions published through the national 224  
association of insurance commissioner's committee process in 225  
determining qualified jurisdictions. If the superintendent 226  
approves a jurisdiction as qualified that does not appear on the 227  
list, the superintendent shall provide justification in 228  
accordance with criteria to be developed by the superintendent 229  
under rule or regulation. 230

(b) Jurisdictions within the United States that meet the 231  
requirement for accreditation under the national association of 232  
insurance commissioner's financial standards and accreditation 233  
program shall be recognized as qualified. 234

(c) To determine if a domiciliary jurisdiction not located 235  
within the United States is eligible to be recognized as a 236  
qualified jurisdiction, the superintendent shall evaluate the 237  
appropriateness and effectiveness of the reinsurance supervisory 238  
system of the jurisdiction, both initially and on an ongoing 239  
basis, and consider the rights, benefits, and the extent of 240  
reciprocal recognition afforded by the jurisdiction to 241  
reinsurers licensed and domiciled in the United States. 242

(d) A qualified jurisdiction shall agree to share 243  
information and cooperate with the superintendent with respect 244  
to all certified reinsurers domiciled within that jurisdiction. 245

(e) A jurisdiction shall not be recognized as a qualified 246  
jurisdiction if the superintendent has determined that the 247  
jurisdiction does not adequately and promptly enforce final 248  
judgments and arbitration awards from the United States. 249

(f) If a certified reinsurer's domiciliary jurisdiction 250  
ceases to be a qualified jurisdiction, the superintendent may 251

revoke the reinsurer's certification or suspend the reinsurer's 252  
certification indefinitely. 253

(g) The superintendent may consider additional factors as 254  
the superintendent considers appropriate. 255

(4) The superintendent shall assign a rating to each 256  
certified reinsurer giving due consideration to the financial 257  
strength ratings assigned by rating agencies pursuant to 258  
division (D)(1)(c) of this section. The superintendent shall 259  
publish a list of all certified reinsurers and their ratings. 260

(5) A certified reinsurer shall secure obligations assumed 261  
from a ceding insurer within the United States at a level 262  
consistent with its rating as specified by the superintendent in 263  
rule or regulation. 264

(a) Except as otherwise provided in division (D)(5) of 265  
this section, a certified reinsurer shall maintain security in a 266  
form acceptable to the superintendent and consistent with 267  
section 3901.63 of the Revised Code, or in a multibeneficiary 268  
trust on behalf of the ceding insurer in accordance with 269  
division (A)(4) of this section, in order for a domestic ceding 270  
insurer to qualify for full financial statement credit for 271  
reinsurance ceded to a certified reinsurer. 272

(b) If a certified reinsurer chooses to secure its 273  
obligations incurred as a certified reinsurer in the form of a 274  
multibeneficiary trust for the benefit of the ceding insurer, 275  
the certified reinsurer shall maintain separate trust accounts 276  
for its obligations incurred under reinsurance agreements issued 277  
or renewed as a certified reinsurer with reduced security as 278  
permitted by this division or comparable laws of other 279  
jurisdictions within the United States, and for its obligations 280

subject to division (A) (4) of this section. 281

(c) Upon termination of any such trust account described 282  
in division (A) (4) of this section, a certified reinsurer shall 283  
be bound by the language of the trust and agreement with the 284  
superintendent that has principal regulatory oversight of each 285  
trust account to fund any deficiency of any other trust account 286  
out of the remaining surplus of such trust as a condition to 287  
certification under division (D) (1) of this section. 288

(d) The minimum trustee surplus requirements provided in 289  
division (C) of this section are not applicable with respect to 290  
a multibeneficiary trust maintained by a certified reinsurer for 291  
the purpose of securing obligations incurred under division (A) 292  
(5) of this section, except that such trust shall maintain a 293  
minimum trustee surplus of ten million dollars. 294

(e) With respect to obligations incurred by a certified 295  
reinsurer under division (A) (5) of this section, if the security 296  
is insufficient, the superintendent shall reduce the allowable 297  
credit by an amount proportionate to the deficiency, and the 298  
superintendent may impose further reductions in allowable credit 299  
upon finding that there is a material risk that the certified 300  
reinsurer's obligations will not be paid in full when due. 301

(f) Except as otherwise provided in division (D) (5) of 302  
this section, a reinsurer whose certification has been 303  
terminated for any reason shall be treated under this section as 304  
a certified reinsurer required to secure one hundred per cent of 305  
its obligations. The superintendent may continue to assign a 306  
higher rating to the reinsurer if the reinsurer is in inactive 307  
status or the reinsurer's certification has been suspended. As 308  
used in division (D) (5) (f) of this section, "terminated" means 309  
revocation, suspension, voluntary surrender, or inactive status. 310

(6) If an applicant for certification has been certified 311  
as a reinsurer in a national association of insurance 312  
commissioners accredited jurisdiction, the superintendent may 313  
defer to that jurisdiction's certification and rating 314  
assignment, and the assuming insurer shall be considered to be a 315  
certified reinsurer in this state. 316

(7) A certified reinsurer that ceases to assume new 317  
business in this state may request to maintain its certification 318  
in inactive status in order to continue to qualify for a 319  
reduction in security for its in-force business. An inactive 320  
certified reinsurer shall continue to comply with all applicable 321  
requirements of division (A) (5) of this section, and the 322  
superintendent shall assign a rating that takes into account, if 323  
relevant, the reasons why the reinsurer is not assuming new 324  
business. 325

(E) (1) (a) The assuming insurer shall have its head office, 326  
or be domiciled in, as applicable, and be licensed in a 327  
reciprocal jurisdiction. 328

(b) (i) The assuming insurer shall have and maintain, on an 329  
ongoing basis, minimum capital and surplus, or its equivalent, 330  
calculated according to the methodology of its domiciliary 331  
jurisdiction, in an amount to be set forth in rule adopted by 332  
the superintendent. 333

(ii) If the assuming insurer is an association, including 334  
incorporated and individual unincorporated underwriters, it 335  
shall have and maintain, on an ongoing basis, minimum capital 336  
and surplus equivalents, net of liabilities, calculated 337  
according to the methodology applicable in its domiciliary 338  
jurisdiction, and a central fund containing a balance in amounts 339  
determined by the superintendent in rule or regulation. 340

(c) (i) The assuming insurer shall have and maintain, on an 341  
ongoing basis, a minimum solvency or capital ratio, as 342  
applicable, that will be set forth in rule adopted by the 343  
superintendent. 344

(ii) If the assuming insurer is an association, including 345  
incorporated and individual unincorporated underwriters, it 346  
shall have and maintain, on an ongoing basis, a minimum solvency 347  
or capital ratio in the reciprocal jurisdiction where the 348  
assuming insurer has its head office or is domiciled, as 349  
applicable, and is also licensed. 350

(d) The assuming insurer shall agree and provide adequate 351  
assurance to the superintendent, in a form specified in rule 352  
adopted by the superintendent, as follows: 353

(i) The assuming insurer shall provide prompt written 354  
notice and explanation to the superintendent if it falls below 355  
the minimum requirements set forth in division (E) (1) (b) or (c) 356  
of this section, or if any regulatory action is taken against it 357  
for serious noncompliance with applicable law. 358

(ii) The assuming insurer shall consent in writing to the 359  
jurisdiction of the courts of this state and to the appointment 360  
of the superintendent as agent for service of process. The 361  
superintendent may require that consent for service of process 362  
be provided to the superintendent and included in each 363  
reinsurance agreement. Nothing in this provision shall be 364  
construed as limiting, or in any way altering, the capacity of 365  
parties to a reinsurance agreement to agree to alternative 366  
dispute resolution mechanisms, except to the extent such 367  
agreements are unenforceable under applicable insolvency or 368  
delinquency laws. 369

(iii) The assuming insurer shall consent in writing to pay 370  
all final judgments, wherever enforcement is sought, obtained by 371  
a ceding insurer or its legal successor, that have been declared 372  
enforceable in the jurisdiction where the judgment was obtained. 373

(iv) Each reinsurance agreement shall include a provision 374  
requiring the assuming insurer to provide security in an amount 375  
equal to one hundred per cent of the assuming insurer's 376  
liabilities attributable to reinsurance ceded pursuant to that 377  
agreement if the assuming insurer resists enforcement of a final 378  
judgment that is enforceable under the law of the jurisdiction 379  
in which it was obtained or a properly enforceable arbitration 380  
award, whether obtained by the ceding insurer or by its legal 381  
successor on behalf of its resolution estate. 382

(v) The assuming insurer shall confirm that it is not 383  
presently participating in any solvent scheme of arrangement 384  
that involves this state's ceding insurers, and agree to notify 385  
the ceding insurer and the superintendent and to provide 386  
security in an amount equal to one hundred per cent of the 387  
assuming insurer's liabilities to the ceding insurer, should the 388  
assuming insurer enter into such a solvent scheme of 389  
arrangement. Such security shall be in a form consistent with 390  
the provisions of division (A) (5) of this section and section 391  
3901.63 of the Revised Code and as specified by the 392  
superintendent in rule or regulation. 393

(e) The assuming insurer or its legal successor shall 394  
provide, if requested by the superintendent, on behalf of itself 395  
and any legal predecessors, certain documentation to the 396  
superintendent, as specified in rule adopted by the 397  
superintendent. 398

(f) The assuming insurer shall maintain a practice of 399

prompt payment of claims under reinsurance agreements, pursuant 400  
to criteria set forth in rule adopted by the superintendent. 401

(g) The assuming insurer's supervisory authority shall 402  
confirm to the superintendent on an annual basis, as of the 403  
preceding thirty-first day of December, or on the annual date 404  
that the assuming insurer is statutorily required to report to 405  
the reciprocal jurisdiction, that the assuming insurer complies 406  
with the requirements set forth in divisions (E) (1) (b) and (c) 407  
of this section. 408

(h) Nothing in division (E) of this section precludes an 409  
assuming insurer from providing the superintendent with 410  
information on a voluntary basis. 411

(2) The superintendent shall timely create and publish a 412  
list of reciprocal jurisdictions. 413

(a) The superintendent's list shall include any reciprocal 414  
jurisdiction as defined under divisions (E) (8) (b) (i) and (ii) of 415  
this section, and shall consider any other reciprocal 416  
jurisdiction included on the list compiled by the national 417  
association of insurance commissioners. The superintendent may 418  
approve a jurisdiction that does not appear on the national 419  
association of insurance commissioners' list of reciprocal 420  
jurisdictions in accordance with criteria established rules or 421  
regulations issued by the superintendent. 422

(b) (i) The superintendent may remove a jurisdiction from 423  
the list of reciprocal jurisdictions upon a determination that 424  
the jurisdiction no longer meets the requirements of a 425  
reciprocal jurisdiction, in accordance with a process set forth 426  
in rules or regulations issued by the superintendent, except 427  
that the superintendent shall not remove from the list a 428

reciprocal jurisdiction as defined under division (E) (8) (b) (i) 429  
or (ii) of this section. 430

(ii) Upon removal of a reciprocal jurisdiction from this 431  
list credit for reinsurance ceded to an assuming insurer that 432  
has its home office or is domiciled in that jurisdiction shall 433  
be allowed, if otherwise allowed pursuant to sections 3901.61 to 434  
3901.65 of the Revised Code. 435

(3) (a) The superintendent shall timely create and publish 436  
a list of assuming insurers that have satisfied the conditions 437  
set forth in division (E) (1) of this section and to which 438  
cessions shall be granted credit in accordance with this 439  
section. 440

(b) The superintendent may add an assuming insurer to such 441  
list if a jurisdiction accredited by the national association of 442  
insurance commissioners has added such assuming insurer to a 443  
list of such assuming insurers or if, upon initial eligibility, 444  
the assuming insurer submits the information to the 445  
superintendent as required under division (E) (1) (d) of this 446  
section and complies with any additional requirements that the 447  
superintendent may impose by rule or regulation, except to the 448  
extent that they conflict with an applicable covered agreement. 449

(4) (a) If the superintendent determines that an assuming 450  
insurer no longer meets one or more of the requirements 451  
prescribed in division (E) (1) of this section, the 452  
superintendent may revoke or suspend the eligibility of the 453  
assuming insurer for recognition under this section in 454  
accordance with rules adopted by the superintendent. 455

(b) While an assuming insurer's eligibility is suspended, 456  
no reinsurance agreement issued, amended, or renewed after the 457



effective date of the suspension qualifies for credit except to 458  
the extent that the assuming insurer's obligations under the 459  
contract are secured in accordance with section 3901.63 of the 460  
Revised Code. 461

(c) If an assuming insurer's eligibility is revoked, no 462  
credit for reinsurance may be granted after the effective date 463  
of the revocation with respect to any reinsurance agreements 464  
entered into by the assuming insurer, including reinsurance 465  
agreements entered into prior to the date of revocation, except 466  
to the extent that the assuming insurer's obligations under the 467  
contract are secured in a form acceptable to the superintendent 468  
and consistent with the provisions of section 3901.63 of the 469  
Revised Code. 470

(5) If subject to a legal process of rehabilitation, 471  
liquidation, or conservation, as applicable, the ceding insurer, 472  
or its representative, may seek and, if determined appropriate 473  
by the court in which the proceedings are pending, may obtain an 474  
order requiring that the assuming insurer post security for all 475  
outstanding ceded liabilities. 476

(6) Nothing in division (E) of this section shall limit, 477  
or in any way alter, the capacity of parties to a reinsurance 478  
agreement to agree on requirements for security or other terms 479  
in that reinsurance agreement, except as expressly prohibited by 480  
sections 3901.61 to 3901.65 of the Revised Code or other 481  
applicable law, rule, or regulation. 482

(7) (a) Credit may be taken under division (E) of this 483  
section only for reinsurance agreements entered into, amended, 484  
or renewed on or after the effective date of this amendment, and 485  
only with respect to losses incurred and reserves reported on or 486  
after the later of the following: 487

(i) The date on which the assuming insurer has met all 488  
eligibility requirements pursuant to division (E) (1) of this 489  
section; 490

(ii) The effective date of the new reinsurance agreement, 491  
amendment, or renewal. 492

(b) Division (E) (7) (a) of this section does not alter or 493  
impair a ceding insurer's right to take credit for reinsurance, 494  
to the extent that credit is not available under division (E) of 495  
this section, as long as the reinsurance qualifies for credit 496  
under any other applicable provision of sections 3901.61 to 497  
3901.65 of the Revised Code. 498

(c) Nothing in division (E) (7) of this section shall be 499  
construed as authorizing an assuming insurer to withdraw or 500  
reduce the security provided under any reinsurance agreement, 501  
except as permitted by the terms of the agreement. 502

(d) Nothing in division (E) (7) of this section shall 503  
limit, or in any way alter, the capacity of parties to any 504  
reinsurance agreement to renegotiate the agreement. 505

(8) As used in division (E) of this section: 506

(a) "Covered agreement" means an agreement entered into 507  
pursuant to the Dodd-Frank Wall Street Reform and Consumer 508  
Protection Act, 31 U.S.C. 313 and 314, that is currently in 509  
effect or in a period of provisional application and addresses 510  
the elimination, under specified conditions, of collateral 511  
requirements as a condition for entering into any reinsurance 512  
agreement with a ceding insurer domiciled in this state or for 513  
allowing the ceding insurer to recognize credit for reinsurance. 514

(b) "Reciprocal jurisdiction" means a jurisdiction that 515  
meets one of the following: 516

(i) A non-United States jurisdiction that is subject to 517  
an in-force covered agreement with the United States, each 518  
within its legal authority, or, in the case of a covered 519  
agreement between the United States and the European Union, is a 520  
member state of the European Union; 521

(ii) A United States jurisdiction that meets the 522  
requirements for accreditation under the national association of 523  
insurance commissioners' financial standards and accreditation 524  
program; 525

(iii) A qualified jurisdiction, as determined by the 526  
superintendent pursuant to division (D)(3) of this section, that 527  
is not otherwise described in division (E)(8)(b)(i) or (ii) of 528  
this section, and that meets certain additional requirements, 529  
consistent with the terms and conditions of in-force covered 530  
agreements, as specified in rule adopted by the superintendent. 531

(F) An assuming insurer shall file a written instrument 532  
appointing an attorney as its agent in this state upon whom all 533  
service of process may be served. Service of process upon this 534  
agent shall bring the assuming insurer within the jurisdiction 535  
of the courts of this state as if served upon an agent pursuant 536  
to section 3927.03 of the Revised Code. 537

~~(F)~~ (G) Nothing in this section shall prohibit the parties 538  
to a reinsurance agreement from agreeing to provisions in the 539  
agreement establishing security requirements that exceed the 540  
minimum security requirements established for certified 541  
reinsurers under this section. 542

~~(G)(1)~~ (H)(1) In order to facilitate the prompt payment of 543  
claims, the superintendent may permit a certified reinsurer to 544  
defer the posting of security for catastrophe recoverables for a 545

period of up to one year from the date of the first instance of 546  
a liability reserve entry by the ceding insurer as a result of a 547  
loss from a catastrophic occurrence. 548

(2) Upon notice by the ceding insurer to the 549  
superintendent that the certified reinsurer has failed to pay 550  
claims owed under a reinsurance agreement in a timely manner, 551  
the superintendent shall notify the certified reinsurer that it 552  
is no longer permitted to defer the posting of security for 553  
catastrophe recoverables. 554

(3) Reinsurance recoverables for only the following lines 555  
of business, as reported on the national association of 556  
insurance commissioners' annual financial statement related 557  
specifically to the catastrophic occurrence, shall be included 558  
in the deferral: 559

- (a) Fire; 560
- (b) Allied lines; 561
- (c) Farmowner's multiple peril; 562
- (d) Homeowners multiple peril; 563
- (e) Commercial multiple peril; 564
- (f) Inland marine; 565
- (g) Earthquake; 566
- (h) Auto physical damage. 567

(4) The superintendent may adopt rules in accordance with 568  
Chapter 119. of the Revised Code to establish the process for a 569  
certified reinsurer to seek a deferral of posting of security 570  
for catastrophe recoverables. 571

**Sec. 3901.64.** (A) A domestic ceding insurer may take 572

credit for any reinsurance ceded as provided in sections 3901.61 573  
to 3901.63 of the Revised Code only if the reinsurance agreement 574  
contained in the reinsurance contract, and any agreement that 575  
provides security for the payment of the obligations under the 576  
reinsurance agreement, including any trust agreement, provide, 577  
in substance, for the following: 578

(1) In the event of the insolvency of the ceding insurer, 579  
the reinsurance, whether paid directly or from trust assets 580  
securing the reinsurance agreement, shall be payable by the 581  
assuming insurer on the basis of the liability of the ceding 582  
insurer under the policy or contract reinsured, without any 583  
diminution because the ceding insurer is insolvent or because 584  
the liquidator or statutory receiver has failed to pay all or 585  
any portion of any claims; 586

(2) The reinsurance payments, whether paid directly or 587  
from trust assets securing the reinsurance agreement, shall be 588  
made by the assuming insurer directly to the ceding insurer, or 589  
in the event of its insolvency or liquidation, to its liquidator 590  
or statutory receiver except where the reinsurance contract or 591  
other written agreement specifically provides for direct payment 592  
of the reinsurance to the insured or beneficiary of the 593  
insurance policy in the event of the insolvency of the ceding 594  
insurer. 595

(B) (1) The reinsurance agreement may provide that the 596  
domiciliary liquidator or statutory receiver shall give written 597  
notice to the assuming insurer that a claim is pending against 598  
the ceding insurer on the policy or contract reinsured. The 599  
notice shall be given within a reasonable amount of time after 600  
the claim is filed with the liquidator or statutory receiver. 601  
During the pendency of the claim, any assuming insurer may 602

investigate the claim and interpose, at its own expense, in the 603  
proceeding where the claim is to be adjudicated any defenses 604  
which it deems to be available to the ceding insurer or its 605  
liquidator. 606

(2) The expense may be filed as a claim against the 607  
insolvent ceding insurer to the extent of a proportionate share 608  
of the benefit that may accrue to the ceding insurer solely as a 609  
result of the defense undertaken by the assuming insurer. Where 610  
two or more assuming insurers are involved in the same claim and 611  
a majority in interest elect to interpose a defense to the 612  
claim, the expense shall be apportioned in accordance with the 613  
terms of the reinsurance agreement as though the expense had 614  
been incurred by the ceding insurer. 615

(C) If the assuming insurer is not licensed, or accredited 616  
or certified to transact insurance or reinsurance in this state, 617  
the credit permitted by division (A) (4) of section 3901.62 of 618  
the Revised Code shall not be allowed unless the assuming 619  
insurer agrees to do both of the following in the reinsurance 620  
agreements: 621

(1) (a) If the assuming insurer fails to perform its 622  
obligations under the terms of the reinsurance agreement, at the 623  
request of the ceding insurer, the assuming insurer shall submit 624  
to the jurisdiction of any court of competent jurisdiction in 625  
any state within the United States, comply with all requirements 626  
necessary to give the court jurisdiction, and abide by the final 627  
decision of the court or of any appellate court in the event of 628  
an appeal. 629

(b) The assuming insurer shall designate the 630  
superintendent or a designated attorney as its true and lawful 631  
attorney upon whom may be served any lawful process in any 632

action, suit, or proceeding instituted by or on behalf of the 633  
ceding insurer. 634

(2) This division is not intended to conflict with or 635  
override the obligation of the parties to a reinsurance 636  
agreement to arbitrate their disputes, if this obligation is 637  
created in the agreement. 638

(D) If the assuming insurer does not meet the requirements 639  
of division (A) (1), (2), ~~or (3)~~, or (6) of section 3901.62 of 640  
the Revised Code, the credit permitted by divisions (A) (4) and 641  
(5) of that section shall not be allowed unless the assuming 642  
insurer agrees in the trust agreements to the following 643  
conditions: 644

(1) Notwithstanding any other provisions in the trust 645  
instrument, if the trust fund is inadequate because it contains 646  
an amount less than the amount required by division (C) (1) of 647  
section 3901.62 of the Revised Code, or if the grantor of the 648  
trust has been declared insolvent or placed into receivership, 649  
rehabilitation, liquidation, or similar proceedings under the 650  
laws of its state or country of domicile, the trustee shall 651  
comply with an order of the superintendent with regulatory 652  
oversight over the trust or with an order of a court of 653  
competent jurisdiction directing the trustee to transfer to the 654  
superintendent with regulatory oversight all of the assets of 655  
the trust fund. 656

(2) The assets shall be distributed by, and claims shall 657  
be filed with and valued by, the superintendent with regulatory 658  
oversight in accordance with the laws of the state, in which the 659  
trust is domiciled, that are applicable to the liquidation of 660  
domestic insurance companies. 661

(3) If the superintendent with regulatory oversight 662  
determines that the assets of the trust fund, or any part 663  
thereof, are not necessary to satisfy the claims of the ceding 664  
insurers within the United States or the grantor of the trust, 665  
the superintendent with regulatory oversight shall return the 666  
assets or part thereof to the trustee for distribution in 667  
accordance with the trust agreement. 668

(4) The grantor shall waive any right otherwise available 669  
to it under the laws of the United States that are inconsistent 670  
with this division. 671

**Section 2.** That existing sections 3901.62 and 3901.64 of 672  
the Revised Code are hereby repealed. 673