

Article - Insurance

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§5–914.

(a) An asset or a reduction from liability for the reinsurance ceded by a domestic insurer to an assuming insurer not meeting the requirements of § 5–904 of this subtitle shall be allowed in an amount not exceeding the liabilities carried by the ceding insurer.

(b) The reduction shall be in the amount of funds held by or on behalf of the ceding insurer, including funds held in trust for the ceding insurer, under a reinsurance contract with the assuming insurer as security for the payment of obligations under the contract, if the security is held:

(1) in the United States subject to withdrawal solely by, and under the exclusive control of, the ceding insurer; or

(2) in the case of a trust, held in a qualified United States financial institution.

(c) The security may be in the form of:

(1) cash;

(2) securities listed by the securities valuation office of the National Association of Insurance Commissioners, including those deemed exempt from filing as defined by the purposes and procedures manual of the securities valuation office, and qualifying as admitted assets;

(3) subject to subsection (d) of this section, clean, irrevocable, unconditional letters of credit, issued or confirmed by a qualified United States financial institution, effective no later than December 31 of the year for which the filing is being made, and in the possession of, or in trust for, the ceding insurer on or before the filing date of the ceding insurer's annual statement; or

(4) any other form of security acceptable to the Commissioner.

(d) Notwithstanding the subsequent failure of the issuing or confirming institution to meet applicable standards of issuer acceptability, a letter of credit meeting applicable standards of issuer acceptability as of the date of its issuance or confirmation under subsection (c)(3) of this section shall continue to be acceptable as security until the letter of credit expires or is extended, renewed, modified, or amended, whichever occurs first.

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