



William Bush
STATE REPRESENTATIVE
29th District

HOUSE OF REPRESENTATIVES
STATE OF DELAWARE
411 LEGISLATIVE AVENUE
DOVER, DELAWARE 19901

COMMITTEES
Economic Development/Banking/Insurance & Commerce, Chair
Agriculture, Vice Chair
Veterans Affairs
Capital Infrastructure
Gaming & Parimutuels
Public Safety

House Economic Development/Banking/Insurance & Commerce
01.18.23

This committee meeting has been recorded and may be accessed via legis.delaware.gov

Chair Bush called the meeting to order at 11:01 a.m. Members present included Chair Bush, Vice Chair Carson, Rep. Baumbach, Dorsey Walker, Griffith, Lambert, Wilson-Anton, Gray, Hensley, Short, Spiegelman. Leslie Ledogar, Regulatory Specialist of the Department of Insurance was also present. For a list of guests present, please see the attendance list below.

Chair Bush introduced HB 46, AN ACT TO AMEND TITLE 18 OF THE DELAWARE CODE RELATING TO CREDIT FOR REINSURANCE.

Chair Bush invited Leslie Ledogar, Regulatory Specialist with the Delaware's Department of Insurance (DOI), to discuss the legislation. She stated the purpose of HB 46 is to align Delaware Statue with the National Association of Insurance Commissioners (NAIC) requirements of the Model Credit for Reinsurance Act. Ms. Ledogar noted that the NAIC puts out model Acts that various departments have to adopt to maintain their accreditation with the NAIC. Ms. Ledogar added that HB 46 functions exactly as outlined in the new Model Act; it explicitly gives the DOI some regulatory authority to address the handling and treatment of reinsurance agreements. Ms. Ledogar concluded by informing members that HB 46 ensured that Delaware was in line with national standards.

Chair Bush opened the floor for questions from committee members.

Seeing none, Chair Bush opened the floor for public comments.

Nancy Egan, State Government Relations of the American Property Casualty Insurance Association (APCIA) expressed support of HB 46.

A motion was made by Rep. Wilson-Anton and seconded by Rep. Baumbach to release HB 46 from committee; the motion carried. Yes = 12 (Bush, Carson, Baumbach, Dorsey Walker, Griffith, Lambert, Wilson-Anton, Gray, Hensley, Short, Smith, Spiegelman) : No=0; Absent= 1 (Matthews). The bill was released from committee with a F=0, M=12, U=0.

Chair Bush introduced HB 47, AN ACT TO AMEND TITLE 18 OF THE DELAWARE CODE RELATING TO AUTHORIZATION OF INSURERS AND GENERAL REQUIREMENTS.

Chair Bush invited Leslie Ledogar (DOI) to explain the legislation to the committee, Ms. Ledogar explained the purpose of HB 47 is to increase the different levels of reserves that insurance companies are required to have by line of business. Ms. Ledogar also noted that these reserves have not been raised for 50 years and that the reserves are put in place to ensure that companies are solvent.

Chair Bush opened the floor for questions from committee members.

Rep. Dorsey Walker asked if HB 47 was in line with national standards. Ms. Ledogar said that Delaware is one of the lowest in the nation. Rep. Dorsey Walker asked a follow-up question about how HB 47 increasing the threshold affects companies that may not be majority companies like State Farm but still want to transact business in Delaware.

Ms. Ledogar stated that this would not affect the large companies such as State Farm because they are direct insurers. Ms. Ledogar further added that the bill in question, HB 47, would be submitted to the reinsurer market, where it is common for insurance companies to transfer the premiums they have written to reinsurance companies in order to secure supplementary backing. Ms. Ledogar explained that HB 47 affects the credit for reinsurance.

Rep. Lambert thanks Chair Bush and Ms. Ledogar for the presentation. Rep. Lambert asked if there were any occurrences where a reinsurance company was not properly insured or did not possess the capital to cover any incident. Ms. Ledogar stated that, to their knowledge, the DOI has not experienced any instances of reinsurance companies failing to meet capital requirements. Ms. Ledogar further said that the existing requirements are very low and are easily met by multi-national reinsurance companies.

Rep. Lambert questioned the inspiration behind HB 47, given the absence of any reported instances of reinsurance companies failing to comply with existing capital requirements. Ms. Ledogar said that the inspiration for HB 47 is that the current requirements for a reinsurance company are extremely low and noted that they are 50 years old. It was also noted that the increase is reasonable and it helps to ensure that the DOI maintains credibility and the companies demonstrate their credibility by providing a certain level of funding and support for themselves.

Rep. Baumbach, Co-sponsor of HB 47, asked if HB 47 is solely about reinsurance and further added that he was unaware that there are reinsurers in health insurance. Ms. Ledogar said Rep. Baumbach was correct. Rep. Baumbach asked for clarification regarding Rep. Dorsey Walker's initial question. Ms. Ledogar said that the DOI has not had a major insurance default, and corrected that HB 47 does affect the major lines noting that the State Farms of the world have enough capital that this will not keep them out of state.

Rep. Baumbach clarified Rep. Dorsey Walker's question to Ms. Ledogar stating if HB 47 would affect smaller firms that are minority owned and whether the minimum set in HB 47 is at a median level or higher level. Ms. Ledogar noted that the requirement set in HB 47 is still too low and not at the median level

Rep. Griffith asked whether HB 47 can be considered as a consumer bill, as it ensures insurance companies have enough assets to pay claims for individual policyholders. Ms. Ledogar answered that this bill can be considered as a consumer bill and that HB 47 requires insurance companies to demonstrate financial viability.

Rep. Griffith spoke in support of HB 47.

Rep. Short asked how the DOI arrived at the figures indicated in the HB 47. Ms. Ledogar said that she does not have the information. Rep. Short further added that perhaps the low requirement set for the state of Delaware is what draws insurance companies to the state.

Ms. Ledogar said that the DOI conducts objective actuarial studies to ensure that companies are financially stable and profitable, while also promoting the attraction of companies to the state. HB 47 aims to increase these standards, but not to an excessive degree, as they have not been updated in 50 years. Rep. Short asked about data on Delaware's national standing, to which Ms. Ledogar responded that she will follow up with Rep. Short to provide additional information.

Chair Bush opened the floor for public comment.

There was no public comment.

A motion was made by Rep. Griffith and seconded by Rep. Baumbach to release HB 47 from committee ; the motion carried. Yes = 10 (Bush, Carson, Baumbach, Dorsey Walker, Griffith, Lambert, Wilson-Anton, Gray, Hensley, Spiegelman) : Not voting= 2 (Short, Smith); Absent= 1 (Matthews). The bill was released from committee with a F=0, M=11, U=0.

Chair Bush introduced HB 48, AN ACT TO AMEND TITLE 18 OF THE DELAWARE CODE RELATING TO RECORD RETENTION REQUIREMENTS.

Ms. Ledogar, of the DOI, explained that HB 48 increases record retention for producers and insurers from three to five years, aligning with the DOI's examination period, giving the commissioner the ability to review records for five years.

Chair Bush opened the floor for questions from committee members.

Chair Bush opened the floor for public comment

A motion was made by Rep. Short and seconded by Rep. Wilson-Anton to release HB 48 from committee; the motion carried. Yes = 12 (Bush, Carson, Baumbach, Dorsey Walker, Griffith, Lambert, Wilson-Anton, Gray, Hensley, Short, Smith, Spiegelman) : No=0; Absent= 1 (Matthews). The bill was released from committee with a F=0, M=12, U=0.

Chair Bush adjourned the meeting at 11:23 a.m.

Respectfully submitted by,

Falah Al-Falahi, Legislative Fellow

Attendance List

Leslie Ledogar, Regulatory Specialist, Delaware Department of Insurance (DOI)

Nancy Egan, State Government Relations, American Property Casualty Insurance Association (APCI)

January 18, 2023

Honorable William Bush
Chairman, House Economic Development/Banking/Insurance & Commerce Committee
411 Legislative Ave.
Dover, DE 19901

RE: House Bill 46 – RELATING TO CREDIT FOR REINSURANCE

Dear Chairman Bush and members of the Committee,

On behalf of the National Association of Mutual Insurance Companies¹ (NAMIC) I write to express our support for House Bill 46.

NAMIC consists of more than 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

HB 46 adopts the National Association of Insurance Commissioners (NAIC) revisions to the model Credit for Reinsurance Act. The NAIC is the U.S. standard-setting organization governed by the chief insurance regulators from the 50 states, District of Columbia and five U.S. territories. Collectively they are an essential element in maintaining the state-based insurance regulatory structure that exists across the United States. NAMIC is supportive of reinsurance collateral reforms that will provide more capacity for insurance markets and recognition of U.S. group regulatory standards. Additionally, NAMIC has consistently supported state-based regulation and opposes any federal preemption by the federal government in this area. By adopting the models this goal will be achieved by the states and thereby retaining their authority in this area. For these reasons NAMIC supports HB 46 and encourages its passage.

Thank you, Chairman Bush, for sponsoring this important legislation. Additionally thank you to the Senate sponsor, Chairman Mantzavinos, and the other co-sponsors of HB 46.

Sincerely,



Matthew Overturf, Regional Vice President
Ohio Valley / Mid-Atlantic Region
c: 937.935.0432 | mverturf@namic.org

¹NAMIC member companies write \$357 billion in annual premiums and represent 69 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets. Through its advocacy programs NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.