**Section 1104.60 Reduction from Liability for Reinsurance Ceded to an Unauthorized Assuming Insurer**

Pursuant to Section 173.1(2) of the Code, the Director shall allow a reduction from liability for reinsurance ceded by a domestic insurer to an assuming insurer not meeting the requirements of Section 173.1(1) of the Code in an amount not exceeding the liabilities carried by the ceding insurer. 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 exclusive benefit of the ceding insurer, under a reinsurance contract with that assuming insurer as security for the payment of obligations thereunder. The security must be held in the U.S. subject to withdrawal solely by, and under the exclusive control of, the ceding insurer or, in the case of a trust, held in a qualified U.S. financial institution as defined in Section 173.1(3)(B) of the Code.

a) This security may be in the form of any of the following:

1) Cash.

2) Securities qualifying as admitted assets under Article VIII of the Code and listed by the NAIC Securities Valuation Office, including those deemed exempt from filing by the "Purposes and Procedures Manual of the NAIC Investment Analysis Office", as of December 31, 2022 (National Association of Insurance Commissioners, One New York Plaza, Ste. 4210, New York NY 10004)) (no later editions or amendments), available at https://www.naic.org.

3) Clean, irrevocable, unconditional and "evergreen" letters of credit issued or confirmed by a qualified U.S. institution, as defined in Section 173.1(3)(A) of the Code, effective no later than December 31 of the year for which filing is being made, and in the possession of the ceding insurer on or before the filing date of its annual financial statement. Letters of credit meeting applicable standards of issuer acceptability as of the dates of their issuance (or confirmation) shall, notwithstanding the issuing (or confirming) institution's subsequent failure to meet applicable standards of issuer acceptability, continue to be acceptable as security until their expiration, extension, renewal, modification or amendment, whichever first occurs.

4) Any other form of security acceptable to the Director.

b) An admitted asset or a reduction from liability for reinsurance ceded to an unauthorized assuming insurer pursuant to subsections (a)(1), (2) and (3) shall be allowed only when the requirements of Section 1104.70, 1104.80 or 1104.90 are met.

(Source: Amended at 48 Ill. Reg. 7229, effective April 30, 2024)