

(c) "Reinsurer" means an insurer from which a ceding insurer procures insurance for itself for all or part of an insurance risk.

5-904.

(a) (1) Credit may not be allowed, as an asset or deduction from liability, to a ceding insurer for reinsurance unless:

[(1)](I) the reinsurer is authorized to transact insurance business in the State or is a solvent insurer approved or accepted by the Commissioner for the purpose of reinsurance; and

[(2)](II) the reinsurance [is] CONTRACT PROVIDES, IN SUBSTANCE, THAT IN THE EVENT OF THE INSOLVENCY OF THE CEDING INSURER, THE REINSURANCE SHALL BE payable UNDER THE TERMS OF A CONTRACT REINSURED by the reinsurer on the basis of [the liability of the ceding insurer under the contracts reinsured] REPORTED CLAIMS ALLOWED BY THE COURT IN A LIQUIDATION PROCEEDING, without diminution because of the insolvency of the ceding insurer.

(2) PAYMENTS MADE BY A REINSURER UNDER PARAGRAPH (1)(II) OF THIS SUBSECTION SHALL BE MADE DIRECTLY TO THE CEDING INSURER OR ITS DOMICILIARY RECEIVER UNLESS:

(I) THE REINSURANCE CONTRACT OR OTHER WRITTEN AGREEMENT SPECIFICALLY PROVIDES ANOTHER PAYEE OF THE REINSURANCE IN THE EVENT OF THE INSOLVENCY OF THE CEDING INSURER; OR

(II) SUBJECT TO ANY CONTRACTUAL OR STATUTORY REQUIREMENT OF CONSENT BY THE POLICYHOLDER, THE REINSURER HAS ASSUMED THE POLICY OBLIGATIONS OF THE CEDING INSURER AS DIRECT OBLIGATIONS OF THE REINSURER TO THE PAYEES UNDER THE POLICIES AND IN SUBSTITUTION FOR THE CEDING INSURER'S OBLIGATIONS TO THE PAYEES.

(3) (I) NOTWITHSTANDING PARAGRAPH (2) OF THIS SUBSECTION, IF A LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION HAS ELECTED TO SUCCEED TO THE RIGHTS AND OBLIGATIONS OF AN INSOLVENT INSURER UNDER A REINSURANCE CONTRACT, THE REINSURER'S LIABILITY TO PAY COVERED REINSURED CLAIMS SHALL CONTINUE UNDER THE REINSURANCE CONTRACT, SUBJECT TO THE PAYMENT OF PREMIUMS TO THE REINSURER FOR THE REINSURANCE COVERAGE.

(II) PAYMENT FOR A COVERED REINSURED CLAIM UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL BE MADE BY THE REINSURER ONLY AT THE DIRECTION OF THE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION OR ITS DESIGNATED SUCCESSOR.

(III) PAYMENT FOR A COVERED REINSURED CLAIM MADE BY THE REINSURER AT THE DIRECTION OF THE LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION OR ITS DESIGNATED SUCCESSOR DISCHARGES THE REINSURER'S LIABILITY TO ANY OTHER PERSON FOR PAYMENT OF THE COVERED REINSURED CLAIM.