

300 Financial Reporting

306 Disclosure of Material Transactions [Formerly Regulation 77]

1.0 Authority

- 1.1 This regulation is adopted under the authority of 18 **Del.C.** §314, Ch. 50 and promulgated in accord with 29 **Del.C.** Ch.101.

2.0 Report

- 2.1 Every insurer domiciled in this state shall file a report with the commissioner disclosing material acquisitions and dispositions of assets or material nonrenewals, cancellations or revisions of ceded reinsurance agreements unless the acquisitions and dispositions of assets or material nonrenewals, cancellations or revisions of ceded reinsurance agreements have been submitted to the commissioner for review, approval or information purposes pursuant to other provisions of the insurance code, laws, regulations, or other requirements.
- 2.2 The report required in section 2.1 is due within fifteen (15) days after the end of the calendar month in which any of the foregoing transactions occur.
- 2.3 One complete copy of the report, including any exhibits or other attachments, shall be filed with:
 - 2.3.1 The Delaware Insurance Department; and
 - 2.3.2 The National Association of Insurance Commissioners.
- 2.4 All reports obtained by or disclosed to the commissioner pursuant to this Act, shall be given confidential treatment and shall not be subject to subpoena and shall not be made public by the commissioner, the National Association of Insurance Commissioners, or any other person, except to insurance departments of other states, without the prior written consent of the insurer to which it pertains unless the commissioner, after giving the insurer who would be affected notice and an opportunity to be heard, determines that the interest of policyholders, shareholders or the public will be served by publication, in which event the commissioner may publish all or any part in the manner the commissioner may deem appropriate.

3.0 Acquisitions and Dispositions of Assets

- 3.1 Materiality.
 - 3.1.1 No acquisitions or dispositions of assets need be reported pursuant to section 1.0 if the acquisitions or dispositions are not material. For purposes of this Act, a material acquisition (or the aggregate of any series of related acquisitions during any thirty-day period) or disposition (or the aggregate of any series of related dispositions during any thirty-day period) is one that is non-recurring and not in the ordinary course of business and involves more than five percent (5%) of the reporting insurers total admitted assets as reported in its most recent statutory statement filed with the insurance department of the insurers state of domicile.
- 3.2 Scope.
 - 3.2.1 Asset acquisitions subject to this Act include every purchase, lease, exchange, merger, consolidation, succession or other acquisition other than the construction or development of real property by or for the reporting insurer or the acquisition of materials for such purpose.
 - 3.2.2 Asset dispositions subject to this Act include every sale, lease, exchange, merger, consolidation, mortgage, hypothecation, assignment (whether for the benefit of creditors or otherwise), abandonment, destruction or other disposition.
- 3.3 Information to be Reported.
 - 3.3.1 The following information is required to be disclosed in any report of a material acquisition or disposition of assets:
 - 3.3.1.1 Date of the transaction;

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- 3.3.1.2 Manner of acquisition or disposition;
 - 3.3.1.3 Description of the assets involved;
 - 3.3.1.4 Nature and amount of the consideration given or received;
 - 3.3.1.5 Purpose of, or reason for, the transaction;
 - 3.3.1.6 Manner by which the amount of consideration was determined;
 - 3.3.1.7 Gain or loss recognized or realized as a result of the transaction;
 - 3.3.1.8 Name(s) of the person(s) from whom the assets were acquired or to whom they were disposed; and
 - 3.3.1.9 A statement regarding whether the acquisition or disposition was to an affiliated or controlling person.
- 3.3.2 Insurers are required to report material acquisitions and dispositions on a non-consolidated basis unless the insurer is part of a consolidated group of insurers which utilizes a pooling arrangement or 100 percent reinsurance agreement that affects the solvency and integrity of the insurers reserves and the insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurer has less than \$1,000,000 total direct plus assumed written premiums during a calendar year that not subject to a pooling arrangement and the net income of the business not subject to the pooling arrangement represents less than five percent (5%) of the insurers capital and surplus.

4.0 Nonrenewals, Cancellations or Revisions of Ceded Reinsurance Agreements

- 4.1 Materiality and Scope.
- 4.1.1 No renewals, cancellations or revisions of ceded reinsurance agreements need be reported pursuant to Section 1 if the nonrenewals, cancellations or revisions are not material. For purposes of this Act, a material nonrenewal, cancellation or revision is one that affects:
- 4.1.1.1 As respects property and casualty business, including accident and health business written by a property and casualty insurer.
 - 4.1.1.1.1 More than fifty percent (50%) of the insurers total ceded written premium; or
 - 4.1.1.1.2 More than fifty percent (50%) of the insurers total ceded indemnity and loss adjustment reserves.
 - 4.1.1.2 As respects life, annuity, and accident and health business: more than fifty percent (50%) of the total reserve credit taken for business ceded, on an annualized basis, as indicated in the insurers most recent annual statement.
 - 4.1.1.3 As respects either property and casualty or life, annuity, and accident and health business, either of the following events shall constitute a material revision which must be reported:
 - 4.1.1.3.1 An authorized reinsurer representing more than ten percent (10%) of a total cession is replaced by one or more unauthorized reinsurers; or
 - 4.1.1.3.2 Previously established collateral requirements have been reduced or waived as respects one or more unauthorized reinsurers representing collectively more than ten percent (10%) of a total cession.
- 4.1.2 However, no filing shall be required if:
- 4.1.2.1 As respects property and casualty business, including accident and health business written by a property and casualty insurer: the insurers total ceded written premium represents, on an annualized basis, less than ten percent (10%) of its total written premium for direct and assumed business, or
 - 4.1.2.2 As respects life, annuity, and accident and health business: the total reserve credit taken for business ceded represents, on an annualized basis, less than ten percent (10%) of the statutory reserve requirement prior to any cession.
- 4.2 Information to be reported.
- 4.2.1 The following information is required to be disclosed in any report of a material nonrenewal, cancellation or revision of ceded reinsurance agreements:

- 4.2.1.1 Effective date of the nonrenewal, cancellation or revision;
 - 4.2.1.2 The description of the transaction with an identification of the initiator thereof;
 - 4.2.1.3 Purpose of, or reason for, the transaction; and
 - 4.2.1.4 If applicable, the identity of the replacement reinsurers.
- 4.2.2 Insurers are required to report all material nonrenewals, cancellations or revisions of ceded reinsurance agreements on a non-consolidated basis unless the insurer is part of a consolidated group of insurers which utilizes a pooling arrangement or 100 percent reinsurance agreement that affects the solvency and integrity of the insurers reserves and the insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurers has less than \$1,000,000 total direct plus assumed written premiums during a calendar year that are not subject to a pooling arrangement and the net income of the business not subject to the pooling arrangement represents less than five percent (5%) of the insurers capital and surplus.

5.0 Effective Date

- 5.1 This Act shall take effect 30 days after the Commissioner's signature.