

August 9, 2024

ANNUAL LETTER TO EXECUTIVE OFFICERS OF COMPANIES RECOGNIZED BY THE TREASURY AS ALIEN REINSURERS OF SURETY COMPANIES DOING BUSINESS WITH THE UNITED STATES GOVERNMENT

Congress authorized the Secretary of the Treasury (the Secretary) in 31 U.S.C. § 9304-9305 to certify a surety company to do business with the United States if the Secretary determines that the company meets certain conditions and is able to carry out its contracts. Treasury has published its requirements for companies applying to underwrite or reinsure federal bonds at 31 C.F.R. Part 223.

Pursuant to 31 C.F.R. 223.12, Treasury also recognizes companies as Alien Reinsurers on bonds or policies not running to the United States. This enables companies holding a Treasury Certificate of Authority and those companies recognized by Treasury as Admitted Reinsurers to receive credit for reinsurance reported on their Treasury Schedule F, up to the extent credit is given for reinsurance ceded to the reinsurer by the ceding company's state of domicile, for reinsurance obtained from a Treasury recognized Alien Reinsurer. It also enables companies holding a Treasury Certificate of Authority to protect excess risks not running to the United States with reinsurance obtained from a Treasury recognized Alien Reinsurer. This Annual Letter describes the documentation companies seeking such recognition must submit.

PLEASE NOTE:

- Treasury's final rule as it relates to Alien Reinsurers is effective August 9, 2024. The Surety Bond Branch will begin accepting applications for Alien Reinsurers on this date. For more information on the final rule, see Treasury's implementation guide published on the Surety Bond website.
- Alien Reinsurers must apply to Treasury for recognition on an annual basis. Recognition by Treasury as an Alien Reinsurer will be effective for a term that expires on the last day of October.
- Treasury will publish the first listings of Alien Reinsurers accepted to the program on the Surety Bond Branch website on November 1, 2024.
- This letter, the final rule implementation guide, and all forms/checklists are available on the Surety Bond website: <https://www.fiscal.treasury.gov/surety-bonds/>.

Pursuant to 31 C.F.R. 223.12 (j)(3), Treasury requires companies applying for recognition as Alien Reinsurers to submit the following:

1. For initial applications for recognition, all information provided to any U.S. state regulator in the two most recently completed calendar years.
2. Payment of the application fee.

To facilitate submission of the application, Treasury asks applicants to complete a coversheet with basic details of the company. A coversheet and checklist of items to be submitted is posted on our website at: <https://www.fiscal.treasury.gov/surety-bonds/downloads.html>. Please make one complete filing of all documents, to assist in processing of initial applications accurately and timely.

Pursuant to 31 C.F.R. 223.12(j) companies applying for recognition as an Alien Reinsurer must be recognized by at least one U.S. state as an “Accredited Reinsurer,” “Certified Reinsurer,” or a “Reciprocal Jurisdiction Reinsurer,” as defined by the state's credit for reinsurance law or regulation based on the NAIC's Credit for Reinsurance Model Law and Regulation, and submit proof of such recognition; be licensed to write reinsurance by, and has its head office or domicile in, a non-U.S. jurisdiction that is recognized by a U.S. state as a Qualified Jurisdiction or as a Reciprocal Jurisdiction, provided that the Reciprocal Jurisdiction is not party to an in-force Covered Agreement. Companies must meet and maintain all capital and surplus, market conduct, and other requirements for eligibility as an “Accredited Reinsurer,” “Certified Reinsurer,” or “Reciprocal Jurisdiction Reinsurer” in accordance with the law and regulation of all U.S. states granting it such recognition. **This includes a certificate of good standing from the domestic supervisory authority and the requirement to maintain capital and surplus of no less than \$250,000,000.**

Because Alien Reinsurers may be subject to collateral requirements as imposed by a U.S. state granting recognition, Treasury requires applicants to disclose the mechanism it will use to secure such obligations.

In order to be satisfied that Treasury-recognized Alien Reinsurers are solvent and able to keep and perform their contracts, Treasury performs an independent analysis of a company's overall financial results, ratios, and trends to evaluate its financial strength and solvency. Treasury utilizes the company's financial/regulatory filings including all applicable schedules, notes, independent auditor's opinion, and actuarial opinion to perform a financial analysis. Applicable schedules also include that NAIC Annual Statement Schedule F or Form CR-F as required by the lead U.S. state.

All metrics should be maintained at adequate levels as required by the U.S. state granting recognition. If a company's performance falls below this threshold or otherwise exhibits a concerning trend, Treasury may require the company to take corrective action to maintain its participation in Treasury's program.

Additionally, companies should report any past or current regulatory actions taken against the company, participation in solvent schemes of arrangement, and provide a detailed listing of all disputed or overdue reinsurance claims regarding reinsurance assumed from U.S. domestic ceding insurers. Companies should provide to Treasury a copy of the properly executed Form CR-1 and any other information the lead state commissioner may require.

Please note that in accordance with 31 CFR 223.22, a **fee of \$4,500, is due upon submission of the initial application** for recognition as an Alien Reinsurer. To pay your fee, go to the Surety Bonds website at <https://www.fiscal.treasury.gov/surety-bonds/> and click “PAY ONLINE”.

EMAIL ALL DOCUMENTATION TO:

surety.bonds@fiscal.treasury.gov

Melvin Saunders, Manager

Surety Bond Branch

ANNUAL CALENDAR OF FILINGS IN 2024 FOR COMPANIES RECOGNIZED BY THE TREASURY AS ALIEN REINSURERS OF SURETY DOING BUSINESS WITH THE UNITED STATES GOVERNMENT COMPANIES

For Initial Applications:

Applications may be submitted anytime throughout the year.

Note: More information on applications can be found on the Surety Bond website at [insert link to “Getting Started” page]. Additionally, all forms are available at: <https://www.fiscal.treasury.gov/surety-bonds/downloads.html>.

Paperwork Reduction Act Statement

By authority of 31 U.S.C. 9304-9308, 31 CFR, Part 223, the information requested in this letter is required to retain a benefit and to enable the Assistant Commissioner, Fiscal Accounting, Bureau of the Fiscal Service, Department of the Treasury, to determine if your company is maintaining compliance with the requirements of the Department of the Treasury in order for your company to remain qualified and acceptable as a surety or reinsurer of Federal bonds. Certified companies are required to file this information with Treasury once each year on March 1. Failure to provide this information will result in non-compliance with Treasury regulations and may result in a loss of your company's authority to act as a surety or reinsurer of Federal bonds.

Burden Estimate Statement

The estimated average burden associated with this collection is 4 hours per respondent or record keeper, depending on individual circumstances. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Bureau of the Fiscal Service, Forms Management Officer, Parkersburg, WV 26106-1328. *This address should only be used for comments and/or suggestions concerning the amount of time spent to collect this data. Do not send the completed paperwork to the address above for processing.*