**§ 6507. Reinsurance.** (a) A mortgage insurer may, by contract, reinsure any insurance it transacts and receive credit for such reinsurance as an asset or as a reduction from liabilities, including its contingency reserve liability, in its financial statements where such reinsurance is placed with another mortgage insurer licensed under this article.

(b) Notwithstanding any provision of law to the contrary, mortgage guaranty insurance may, by contract, be reinsured, provided that any reinsurance arrangements entered into by a mortgage insurer and an assuming insurer comply with the provisions of this article. The unearned premium reserve required by section one thousand three hundred five of this chapter, the contingency reserve required by paragraph two of subsection (a) of section six thousand five hundred two of this article and loss reserve required by paragraph three of subsection (a) of section six thousand five hundred two of this article shall be established and maintained by the mortgage insurer or by the assuming insurer so that the aggregate reserves shall not be less than the reserves required by such subsection.

(c) Where a mortgage insurer cedes any insurance to an insurer that insures or reinsures other lines of insurance in addition to mortgage guaranty insurance, the amount of insurance so ceded shall not exceed thirty-five percent of the total exposure insured by the mortgage insurer after deducting insurance ceded to any other mortgage insurer.

(d) Where a mortgage insurer cedes any insurance to a mortgage insurer not licensed under this article or an insurer that insures or reinsures other lines of insurance in addition to mortgage guaranty insurance, in order for the mortgage insurer to receive credit for such reinsurance as an asset or as a reduction from liabilities, including its contingency reserve liability, in its financial statements, such assuming insurer must maintain a surplus to policyholders of at least thirty-five million dollars and the following must occur;

(1) the insurer must establish and maintain in a segregated trust an amount equal to the greater of either the contingency reserve required by paragraph two of subsection (a) of section six thousand five hundred two of this article, or four percent of the outstanding total liability under the aggregate insurance policies assumed from the mortgage insurer;

(2) the insurer must establish and maintain in a segregated trust, or

provide a letter of credit in a form approved by the superintendent, an amount equal to the unearned premium and loss reserves;

(3) any such aggregated trust shall be funded by assets permitted by article fourteen of this chapter for the loss reserve required by paragraph three of subsection (a) of section six thousand five hundred two of this article and for the unearned premium reserve required by section one thousand three hundred five of this chapter, and shall be funded by either the types of assets specified in paragraphs one, two and three of subsection (b) of section one thousand four hundred two and paragraphs one, two and twelve of subsection (a) of section one thousand four hundred four of this chapter or by tax and loss bonds purchased pursuant to § 832(e) of the Internal Revenue Code for the greater of the amount of reserves required by paragraph two of subsection (a) of section six thousand five hundred two of this article or paragraph one of subsection (b) of section six thousand five hundred two of this article;

(4) the reinsurance agreement must be submitted to the commissioner or superintendent of insurance of the mortgage insurer's domicile for approval; and

(5) the reinsurance agreement must provide that:

(A) it is not valid until approved by the commissioner or superintendent of insurance of the mortgage insurer's domicile;

(B) any amendments to the reinsurance agreement must be submitted to the commissioner or superintendent of insurance of the mortgage insurer's domicile for approval prior to becoming effective;

(C) the ceding mortgage insurer has a right to terminate the ceding of additional insurance under the reinsurance agreement if so ordered by the superintendent;

(D) the superintendent has the right to request from the assuming reinsurer information concerning its financial condition;

(E) the assuming reinsurer shall notify the superintendent of any material change in its financial condition; and

(F) such agreements and any amendments thereto shall be provided to the superintendent, who shall have the right to disapprove of any agreement. Such agreements and any amendments thereto shall be deemed approved by the superintendent unless disapproved within thirty days from the date provided to the superintendent. If the superintendent

disapproves of any reinsurance agreement or amendments thereto the mortgage insurer shall not receive credit for such reinsurance as an asset or as a reduction from liabilities in its financial statement.

(e) Nothing contained herein shall be deemed to permit an insurer that insures or reinsures other lines of insurance in addition to mortgage guaranty insurance to write directly mortgage guaranty insurance.

(f) Any reinsurance agreement that was valid under this chapter at the time entered into shall not be invalidated by this section.