Regular Session, 2013

SENATE BILL NO. 120

BY SENATOR WALSWORTH

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

INSURANCE COMMISSIONER. Extends commissioner's authority to grant reinsurance credits to captive insurers. (gov sig)

1   AN ACT

2   To amend and reenact R.S. 22:550.17(C), relative to captive insurers; to allow the

3   commissioner of insurance to grant reinsurance credits to captive insurers under

4   certain conditions; and to provide for related matters.

5   Be it enacted by the Legislature of Louisiana:

6   Section 1. R.S. 22:550.17(C) is hereby amended and reenacted to read as follows:

7   §550.17. Reinsurance; credit for reserves on risks or portions of risks in certain

8   circumstances; plan for workers' compensation deemed reinsurance

9   in certain circumstances

10   *   *   *

11   C. ~~The~~ **Subject to the approval of the** commissioner**,** ~~may authorize~~ a

12   captive insurer ~~to~~ **may** take credit for reserves on risks or portions of risks ceded **to**

13   **a reinsurer, or** to a pool, an exchange or an association acting as a reinsurer**, that**

14   **does not comply with the requirements of this Subsection**. The commissioner may

15   require such documents, financial information or other evidence as he determines

16   necessary to show that ~~the~~ **such reinsurer,** pool, exchange or association will be able

17   to provide adequate security for its financial obligations. The commissioner may

Coding: Words which are ~~struck through~~ are deletions from existing law;
words in **boldface type and underscored** are additions.

1   deny authorization or impose any limitations on the activities of ~~a reinsurance~~ **such**

2   **reinsurer,** pool, exchange or association that, in his judgment, are necessary and

3   proper to provide adequate security for the ceding captive insurer and for the

4   protection and benefit of the general public.

5   Section 2. This Act shall become effective upon signature by the governor or, if not

6   signed by the governor, upon expiration of the time for bills to become law without signature

7   by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If

8   vetoed by the governor and subsequently approved by the legislature, this Act shall become

9   effective on the day following such approval.

The original instrument and the following digest, which constitutes no part
of the legislative instrument, were prepared by Thomas L. Tyler.

DIGEST

<u>Proposed law</u> retains <u>present law</u> that prohibits a captive insurer from providing reinsurance on risks ceded by any other insurer without written approval from the commissioner of insurance. Further retains authority for a captive insurer to take credit for reserves on risks or portion of risks ceded to a reinsurer in compliance with the solvency and reporting requirements for reinsurance.

<u>Present law</u> authorizes a captive insurer to take a credit for reserves on risks or portions of risks ceded to a pool, an exchange or an association acting as a reinsurer.

<u>Proposed law</u> provides that, subject to approval by the commissioner, a captive insurer may take credit for reserves on risks or portions of risks ceded to a reinsurer or to a pool, exchange or association acting as a reinsurer which does not comply with the requirements of <u>present law</u> regarding reinsurance and credits for reserves on risks in certain circumstances.

<u>Present law</u> authorizes the commissioner to require documents or information necessary to show that the entity will be able to provide adequate security for its financial obligations and allows him to impose limitations on the activities of the entity deemed necessary and proper to provide adequate security for the ceding captive insurer and for the protection and benefit of the general public. <u>Proposed law</u> retains these provisions relative to a pool, exchange or association acting as a reinsurer but also applies them to a reinsurer.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 22:550.17(C))

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