
DIGEST

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HB 247 Reengrossed

2020 Regular Session

Green

Abstract: Requires the commissioner of insurance to allow credit for reinsurance when the reinsurance is ceded to a foreign and alien reinsurer that meets certain requirements

Present law requires the commissioner of insurance to allow a credit for reinsurance to a domestic ceding insurer as either an asset or a reduction in liability if the reinsurer satisfies the requirements of present law.

Proposed law retains present law but adds additional requirements for foreign and alien reinsurers, including the following major changes:

- (1) Requires the reinsurer to have a head office, be domiciled in, and be licensed in a reciprocal jurisdiction.
- (2) Defines "reciprocal jurisdiction".
- (3) Requires the reinsurer to have and maintain minimum capital and surplus, as calculated by its domiciliary jurisdiction, in an amount to be set forth in regulation.
- (4) Requires the reinsurer to have and maintain a minimum solvency or capital ratio, to be set forth in regulation.
- (5) Requires the reinsurer: to provide a prompt written explanation to the commissioner if it fails to meet the requirements, to consent to the jurisdiction of this state and to the commissioner agent for service of process, to consent in writing to pay all final judgments obtained by a ceding insurer, to include a requirement in all reinsurance agreements that the reinsurer provide security equal to 100% of the reinsurer's liabilities attributable to reinsurance ceded pursuant to that reinsurance agreement in the event the reinsurer resists enforcement of an enforceable final judgment, to provide confirmation that it is not currently participating in any solvent scheme of arrangement with La. ceding insurers, to provide notice to the commissioner and the ceding insurer if the reinsurer enters into such a solvent scheme of arrangement, and to provide security equal to 100% of the reinsurer's liabilities if it enters into such a solvent scheme of arrangement.
- (6) Requires the reinsurer to promptly pay claims under reinsurance agreements.
- (7) Requires the reinsurer's supervisory authority to provide annual confirmation to the

commissioner that it complies with the proposed jurisdictional, capital, surplus, and solvency requirements.

- (8) Requires the commissioner to timely publish a list of reciprocal jurisdictions subject to certain provisions.
- (9) Requires the commissioner to timely publish a list of reinsurers that have satisfied the conditions of proposed law.
- (10) Authorizes the commissioner to suspend or revoke the reinsurer's eligibility for recognition under proposed law.
- (11) Authorizes a ceding insurer to obtain an order requiring the reinsurer to post security for all outstanding ceded liabilities if the reinsurer is subject to a legal process of rehabilitation, liquidation, or conservation.
- (12) Provides that credits pursuant to proposed law are only applicable to reinsurance agreements entered into, amended, or renewed on or after the effective date of this Act.

Present law requires any credit for reinsurance be allowed when the reinsurance is ceded to a reinsurer not meeting the requirements of present law, but only for risks located in jurisdictions where the reinsurance is required by the law of that jurisdiction.

Proposed law retains present law, but adds that the reinsurer shall meet the requirements of proposed law.

Proposed law makes technical and organizational changes.

(Amends R.S. 22:651(A), (B), (C)(intro. para.), (E)(intro. para.) and (1), and (F)-(K); Adds R.S. 22:651(L))

Summary of Amendments Adopted by House

The House Floor Amendments to the engrossed bill:

1. Change proposed law from authorizing the commissioner to grant credits pursuant to proposed law for reinsurance agreements entered into, amended, or renewed on or after the effective date of this Act to authorizing insurers to take credits for such reinsurance agreements.
2. Change proposed law from requiring the commissioner to allow credits for reinsurance when the reinsurance is ceded to a reinsurer not meeting the requirements of present law for risks located in jurisdictions where reinsurance is required by the law of that jurisdiction to requiring any credit for reinsurance be allowed under such circumstances.

3. Make technical changes.