

2016 Regular Session

SENATE BILL NO. 104

BY SENATOR JOHN SMITH

INSURANCE COMMISSIONER. Provides relative to credit for reinsurance for certain health, life, and annuity products. (8/1/16)

1 AN ACT

2 To amend and reenact R.S. 22:651(A), 652, and 661, relative to credits for reinsurance; to
3 provide for specific additional requirements relative to the valuation of assets or
4 reserve credits, for the amount and forms of security supporting reinsurance
5 arrangements, and the circumstances pursuant to which credit will be reduced or
6 eliminated; to provide specific authority to promulgate regulations that conform to
7 National Association of Insurance Commissioners model regulations relative to
8 reinsurance for certain health, life, and annuity products; and to provide for related
9 matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 22:651(A), 652, and 661 are hereby amended and reenacted to read
12 as follows:

13 §651. Reinsurance credits

14 A. The commissioner shall allow credit for reinsurance to a domestic ceding
15 insurer as either an asset or deduction from liability when the assuming insurer
16 satisfies the requirements of Subsection B, C, D, E, or F of this Section; **provided**
17 **further that the commissioner may adopt by regulation pursuant to R.S.**

1 22:661(B) specific additional requirements relating to or setting forth the
2 valuation of assets or reserve credits, the amount and forms of security
3 supporting reinsurance arrangements described in R.S. 22:661(B), or the
4 circumstances pursuant to which credit will be reduced or eliminated. The
5 commissioner shall allow credit under Subsection B or C of this Section pertaining
6 only to cessions of those kinds or classes of business that the assuming insurer is
7 licensed or otherwise permitted to write or assume in its state of domicile or, in the
8 case of a United States branch of an alien assuming insurer, in the state through
9 which it is entered and licensed to transact insurance or reinsurance. The
10 commissioner shall allow the credit for reinsurance pursuant to Subsection D of this
11 Section only if the assuming insurer satisfies the requirements of Subsection G of
12 this Section.

13 * * *

14 §652. Reduction from liability for ceded reinsurance

15 A reduction from liability for the reinsurance ceded by a domestic insurer to
16 an assuming insurer that fails to satisfy the requirements of R.S. 22:651 shall be
17 allowed in an amount not exceeding the liabilities carried by the ceding insurer, ~~and~~
18 ~~such a~~ provided further that the commissioner may adopt by regulation
19 pursuant to R.S. 22:661(B) specific additional requirements relating to or
20 setting forth the valuation of assets or reserve credits, the amount and forms of
21 security supporting reinsurance arrangements described in R.S. 22:661(B), or
22 the circumstances pursuant to which credit will be reduced or eliminated. The
23 reduction shall be in the amount of funds held by or on behalf of the ceding insurer,
24 including funds held in trust in this state for the ceding insurer, under a reinsurance
25 contract with such assuming insurer as security for the payment of obligations
26 thereunder, if such security is held in this state subject to withdrawal solely by, and
27 under the exclusive control of, the ceding insurer, or, in the case of a trust, held in
28 a qualified United States financial institution, as defined in R.S. 22:653(B). The
29 security may be in the form of:

1 (1) Cash.

2 (2) Securities listed by the Securities Valuation Office of the National
3 Association of Insurance Commissioners (NAIC), including those deemed exempt
4 from filing as defined by the Purposes and Procedures Manual of the NAIC
5 Securities Valuation Office, and qualifying as admitted assets.

6 (3)(a) Clean, irrevocable, unconditional letters of credit, issued or confirmed
7 by a qualified United States financial institution, as defined in R.S. 22:653(A),
8 effective no later than December thirty-first in respect of the year for which filing is
9 being made, and in possession of or in trust for the ceding insurer on or before the
10 filing date of its annual statement.

11 (b) Letters of credit meeting applicable standards of issuer acceptability as
12 of the dates of their issuance or confirmation shall, notwithstanding the issuing or
13 confirming institution's subsequent failure to meet applicable standards of issuer
14 acceptability, continue to be acceptable as security until their expiration, extension,
15 renewal, modification, or amendment, whichever occurs first.

16 (4) Any other form of security acceptable to the commissioner.

17 * * *

18 661. Authorization

19 **A.** The commissioner may adopt, pursuant to the provisions of **this Title and**
20 the Administrative Procedure Act, R.S. 49:950 et seq., rules and regulations to
21 implement any provision of this Subpart.

22 **B. The commissioner may further adopt rules and regulations applicable**
23 **to reinsurance arrangements described in Paragraph (1) of this Subsection.**

24 **(1) A regulation adopted pursuant to this Subsection may apply only to**
25 **reinsurance relating to any or all of the following:**

26 **(a) Life insurance policies with guaranteed nonlevel gross premiums or**
27 **guaranteed nonlevel benefits.**

28 **(b) Universal life insurance policies with provisions resulting in the**
29 **ability of a policyholder to keep a policy in force over a secondary guarantee**

1 **period.**

2 **(c) Variable annuities with guaranteed death or living benefits.**

3 **(d) Long-term care insurance policies.**

4 **(e) Such other life and health insurance and annuity products as to which**
 5 **the NAIC adopts model regulatory requirements with respect to credit for**
 6 **reinsurance.**

7 **(2) A regulation adopted pursuant to Subparagraph (1)(a) or (1)(b) of**
 8 **this Subsection may apply to any treaty containing policies issued on or after**
 9 **January 1, 2015, or policies issued prior to January 1, 2015, if risk pertaining**
 10 **to such pre-2015 policies is ceded in connection with the treaty, in whole or in**
 11 **part, on or after January 1, 2015.**

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Cheryl Cooper.

DIGEST

SB 104 Original

2016 Regular Session

John Smith

Present law provides for credit for reinsurance ceded by domestic insurers in accordance with the National Association of Insurance Commissioners (NAIC) Model Credit for Reinsurance Law.

Proposed law retains present law and adds provisions recently added to the NAIC Model Credit for Reinsurance Law.

Proposed law provides that the commissioner may adopt by regulation specific additional requirements relating to or setting forth the valuation of assets or reserve credits, the amount and forms of security supporting reinsurance arrangements, or the circumstances pursuant to which credit will be reduced or eliminated.

Present law provides for the commissioner of insurance to promulgate rules and regulations in accordance with the Administrative Procedure Act.

Proposed law retains present law and further provides that the commissioner may adopt rules and regulations applicable to the following reinsurance arrangements:

- (1) An adopted regulation may apply only to reinsurance relating to any or all of the following:
 - (a) Life insurance policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits.
 - (b) Universal life insurance policies with provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guarantee period.
 - (c) Variable annuities with guaranteed death or living benefits.

- (d) Long-term care insurance policies.
 - (e) Such other life and health insurance and annuity products as to which the NAIC adopts model regulatory requirements with respect to credit for reinsurance.
- (2) Proposed law further provides that a regulation adopted pursuant to proposed law may apply to any treaty containing policies issued on or after January 1, 2015, or policies issued prior to January 1, 2015, if risk pertaining to such pre-2015 policies is ceded in connection with the treaty, in whole or in part, on or after January 1, 2015.

Effective August 1, 2016.

(Amends R.S. 22:651(A), 652, and 661)