

SENATE BILL NO. 104

BY SENATOR JOHN SMITH

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.

17 Additionally, the commissioner may adopt by regulation pursuant to R.S.  
18 22:661(B) specific additional requirements relating to or setting forth the  
19 valuation of assets or reserve credits, the amount and forms of security  
20 supporting reinsurance arrangements described in R.S. 22:661(B), or the  
21 circumstances pursuant to which credit will be reduced or eliminated. The

22 commissioner shall allow credit under Subsection B or C of this Section pertaining  
23 only to cessions of those kinds or classes of business that the assuming insurer is  
24 licensed or otherwise permitted to write or assume in its state of domicile or, in the  
25 case of a United States branch of an alien assuming insurer, in the state through  
26 which it is entered and licensed to transact insurance or reinsurance. The

1 commissioner shall allow the credit for reinsurance pursuant to Subsection D of this  
 2 Section only if the assuming insurer satisfies the requirements of Subsection G of  
 3 this Section.

4 \* \* \*

5 §652. Reduction from liability for ceded reinsurance

6 A reduction from liability for the reinsurance ceded by a domestic insurer to  
 7 an assuming insurer that fails to satisfy the requirements of R.S. 22:651 shall be  
 8 allowed in an amount not exceeding the liabilities carried by the ceding insurer, ~~and~~

9 ~~such a~~ **Additionally, the commissioner may adopt by regulation pursuant to R.S.**

10 **22:661(B) specific additional requirements relating to or setting forth the**

11 **valuation of assets or reserve credits, the amount and forms of security**

12 **supporting reinsurance arrangements described in R.S. 22:661(B), or the**

13 **circumstances pursuant to which credit will be reduced or eliminated. The**

14 reduction shall be in the amount of funds held by or on behalf of the ceding insurer,

15 including funds held in trust in this state for the ceding insurer, under a reinsurance

16 contract with such assuming insurer as security for the payment of obligations

17 thereunder, if such security is held in this state subject to withdrawal solely by, and

18 under the exclusive control of, the ceding insurer, or, in the case of a trust, held in

19 a qualified United States financial institution, as defined in R.S. 22:653(B). The

20 security may be in the form of:

21 (1) Cash.

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

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

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

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

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8 §661. Authorization

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

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

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

16 (a) Life insurance policies with guaranteed nonlevel gross premiums or  
 17 guaranteed nonlevel benefits.

18 (b) Universal life insurance policies with provisions resulting in the  
 19 ability of a policyholder to keep a policy in force over a secondary guarantee  
 20 period.

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

22 (d) Long-term care insurance policies.

23 (e) Such other life and health insurance and annuity products as to which  
 24 the National Association of Insurance Commissioners (NAIC) adopts model  
 25 regulatory requirements with respect to credit for reinsurance.

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

1                   (3) A regulation adopted pursuant to this Subsection may require the  
 2                   ceding insurer, in calculating the amounts or forms of security required to be  
 3                   held under regulations promulgated under this authority, to use the Valuation  
 4                   Manual adopted by the NAIC pursuant to R.S. 22:753(C), including all  
 5                   amendments adopted by the NAIC and in effect on the date as of which the  
 6                   calculation is made, to the extent applicable.

7                   (4) A regulation adopted pursuant to this Subsection shall not apply to  
 8                   any cession to an assuming insurer if the assuming insurer meets any of the  
 9                   following criteria:

10                   (a) Is certified in this state or certified in a minimum of five other states.

11                   (b) Maintains at least two hundred fifty million dollars in capital and  
 12                   surplus when determined in accordance with the NAIC Accounting Practices  
 13                   and Procedures Manual, including all amendments thereto adopted by the  
 14                   NAIC, excluding the impact of any permitted or prescribed practices, and is  
 15                   either of the following:

16                   (i) Licensed in at least twenty-six states.

17                   (ii) Licensed in at least ten states and licensed or accredited in a total of  
 18                   at least thirty-five states.

19                   C. The authority to adopt regulations pursuant to Subsection B of this  
 20                   Section shall not limit the general authority of the commissioner to adopt  
 21                   regulations pursuant to Subsection A of this Section or any other provision of  
 22                   this Title.

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 PRESIDENT OF THE SENATE

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 SPEAKER OF THE HOUSE OF REPRESENTATIVES

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 GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: \_\_\_\_\_