

Regular Session, 2012

SENATE BILL NO. 230

BY SENATOR BROWN

INSURERS. Clarifies definitions and company-action level events relative to risk-based capital for domestic insurers. (8/1/12)

1 AN ACT

2 To amend and reenact R.S. 22:611(8)(b), (c), and (d) and 613(A)(1)(b) and (c), relative to
3 risk-based capital for domestic insurers; to provide for definitions; to provide with
4 respect to a company-action level event; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 22:611(8)(b), (c), and (d) and 613(A)(1)(b) and (c) are hereby
7 amended and reenacted to read as follows:

8 §611. Definitions

9 As used in this Subpart, the following terms shall have the following
10 meanings:

11 * * *

12 (8) "Risk-based capital level" means an action level risk-based capital,
13 regulatory action level risk-based capital, authorized control level risk-based capital,
14 or mandatory control level risk-based capital of an insurer where:

15 * * *

16 (b) "Company-action level risk-based capital" means ~~the product of two~~
17 ~~multiplied by its~~ **two hundred percent of a company's** authorized control level

1 risk-based capital.

2 (c) "Mandatory-control level risk-based capital" means seven-tenths
3 ~~multiplied by the~~ **of a company's** authorized control level risk-based capital.

4 (d) "Regulatory-action level risk-based capital" means ~~one and one-half~~
5 ~~multiplied by the~~ **one hundred and fifty percent of a company's** authorized control
6 level risk-based capital.

7 * * *

8 §613. Company-action level event

9 A. "Company-action level event" means any of the following events:

10 (1) The filing of a risk-based capital report by an insurer that indicates that:

11 * * *

12 (b) The life or health and accident insurer maintains a total adjusted capital
13 ~~which is greater than or equal to its company-action level risk-based capital, but less~~
14 ~~than the product~~ **but below three hundred percent** of its authorized-control level
15 **but triggers the trend test determined in accordance with the trend test**
16 **calculation included in the property and casualty risk-based capital**
17 **instructions.** ~~risk-based capital and two and one-half but has a negative trend.~~

18 (c) The property and casualty insurer maintains a total adjusted capital which
19 is greater than or equal to its company-action level risk-based capital ~~but less than~~
20 ~~the product~~ **but below three hundred percent** of its authorized-control level risk-
21 based capital ~~and three~~ but triggers the trend test determined in accordance with the
22 trend test calculation included in the property and casualty risk-based capital
23 instructions.

24 * * *

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

DIGEST

Present law defines risk-based capital level as action level risk-based capital, regulatory
action level risk-based capital, authorized control level risk-based capital, or mandatory
control level risk-based capital of an insurer where company-action level risk-based capital
is the product of two multiplied by the company's authorized control level risk-based capital

while mandatory-control level risk-based capital means seven-tenths multiplied by the company's authorized control level risk-based capital. Further defines regulatory-action level risk-based capital as one and one half multiplied by the authorized control level risk-based capital.

Proposed law defines company-action level risk-based capital as 200% of a company's authorized control level risk-based capital while mandatory-control level risk based capital means seven-tenths of a company's authorized control level risk-based capital. Further defines regulatory-action level risk-based capital as 150% of a company's authorized control level risk-based capital.

Present law defines a company-action level event as the filing of a risk-based capital report by an insurer that indicates that the life or health and accident insurer maintains a total adjusted capital which is greater than or equal to its company-action level risk-based capital, but less than the product of its authorized-control level risk-based capital and two and one-half but has a negative trend.

Proposed law defines a company-action level event as the filing of a risk-based capital report by an insurer that indicates that the life or health and accident insurer whose total adjusted capital is greater than or equal to its company-action level but below 300% of its authorized control level, but triggers the trend test determined in accordance with the trend test calculation included in the property and casualty risk-based capital instructions.

Proposed law further defines a company action-level event as the filing of a risk-based capital report by an insurer that indicates that the property and casualty insurer whose total adjusted capital is greater than or equal to its company-action level but below 300% of its authorized control level, but triggers the trend test determined in accordance with the trend test calculation included in the property and casualty risk-based capital instructions.

Effective August 1, 2012.

(Amends R.S. 22:611(8)(b),(c), and (d), 613(A)(1)(b) and (c))