

AMENDMENTS TO SENATE BILL NO. 1464

Sponsor: SENATOR D. WHITE

Printer's No. 2205

1 Amend Bill, page 1, line 11, by inserting after "providing"
2 for reinsurance credits,

3 Amend Bill, page 1, lines 23 through 27, by striking out all
4 of said lines and inserting

5 Section 1. Section 319.1 of the act of May 17, 1921
6 (P.L.682, No.284), known as The Insurance Company Law of 1921,
7 amended December 18, 1992 (P.L.1519, No.178), is amended to
8 read:

9 Section 319.1. Reinsurance Credits.--(a) Unless an
10 unlicensed reinsurer is qualified or certified to accept
11 reinsurance from insurers licensed in this Commonwealth, no
12 credit shall be allowed as an admitted asset or as a reduction
13 of liability relative to risks ceded by such licensed insurers.
14 Qualified or certified reinsurers are those meeting the
15 conditions for reinsurers specified by the commissioner, in his
16 discretion, and included on a list of qualified or certified
17 reinsurers published and periodically reviewed by said
18 commissioner.

19 (b) A reduction from liability for the reinsurance ceded by
20 a domestic insurer to an assuming insurer which is not a
21 qualified or certified reinsurer in accordance with this section
22 shall be allowed in an amount not exceeding the liabilities
23 carried by the ceding insurer and such reduction shall be in the
24 amount of funds held by or on behalf of the ceding insurer,
25 including funds held in trust for the ceding insurer, under a
26 reinsurance contract with such assuming insurer as security for
27 the payment of obligations thereunder, if such security is held
28 in the United States subject to withdrawal solely by and under
29 the exclusive control of the ceding insurer or, in the case of a
30 trust, held in a qualified United States financial institution,
31 as defined in subsection (g) (2). This security may be in the
32 form of:

33 (1) Cash.

34 (2) Securities listed by a securities valuation office of a
35 national association of insurance commissioners or any successor
36 thereto, including those exempted from filing under the Purposes

1 and Procedures Manual of the Securities Valuation Office of the
2 National Association of Insurance Commissioners, and qualifying
3 as admitted assets.

4 (3) (i) Clean, irrevocable, unconditional and evergreen
5 letters of credit issued or confirmed by a qualified United
6 States financial institution, as defined in subsection (g)(1),
7 no later than the thirty-first day of December in respect of the
8 year for which filing is being made and in the possession of the
9 ceding [company] insurer on or before the filing date of its
10 annual statement.

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

18 (4) Funds or letters of credit provided by a noninsurer
19 parent corporation of the ceding insurer, in lieu of the funds
20 to be withheld by the ceding insurer under a reinsurance
21 contract with such assuming insurer as security for payment of
22 obligations thereunder, if the following requirements are met:

23 (i) The funds or letters of credit are held subject to
24 withdrawal by and under the control of the ceding insurer.

25 (ii) The type, amount and form of the funds or letters of
26 credit receive the prior approval of the Insurance Commissioner.

27 (5) Any other form of security acceptable to the Insurance
28 Commissioner.

29 (c) No credit shall be allowed as an admitted asset or as a
30 deduction from liability, to any ceding company for reinsurance
31 unless the reinsurance is payable to such company or its
32 statutory liquidator by the assuming company on the basis of the
33 liability of the ceding company under contract or contracts
34 reinsured without diminution because of insolvency of the ceding
35 company.

36 (d) No such credit shall be allowed for reinsurance unless
37 the reinsurance agreement provides that payment by the company
38 shall be made directly to the ceding company or to its
39 liquidator, receiver, or statutory successor.

40 (e) No credit shall be allowed as an admitted asset or as a
41 reduction in liability if the gross reserves established by the
42 ceding insurer do not include provision for the policy benefits
43 against which the ceding insurer is being indemnified by the
44 reinsurer.

45 (f) Notwithstanding the provisions of this section, the
46 Insurance Department may promulgate one or more regulations to
47 limit, prohibit or authorize the credit which a domestic insurer
48 may take as an admitted asset or as a reduction in liability
49 with respect to reinsurance ceded on any financial statements
50 filed with the Insurance Department.

51 (f.1) Credit for reinsurance ceded to a certified reinsurer

1 is allowed only for reinsurance contracts entered into or
2 renewed on or after the effective date of the certification of
3 the assuming insurer by the Insurance Commissioner.

4 (g) (1) The term "qualified United States financial
5 institution" when used in this section means an institution
6 which meets the following qualifications:

7 (i) Is organized or, in the case of a United States office
8 of a foreign banking organization, licensed under the laws of
9 the United States or any state thereof.

10 (ii) Is regulated, supervised and examined by United States
11 Federal or state authorities having regulatory authority over
12 banks and trust companies.

13 (iii) Has been determined by either the Insurance
14 Commissioner or the Securities Valuation Office of the National
15 Association of Insurance Commissioners or a successor thereto to
16 meet such standards of financial condition and standing as are
17 considered necessary and appropriate to regulate the quality of
18 financial institutions whose letters of credit will be
19 acceptable to the Insurance Commissioner.

20 (2) The term "qualified United States financial institution"
21 also means, for the purposes of the provisions of this act
22 specifying those institutions that are eligible to act as a
23 fiduciary of a trust, an institution that meets the following
24 qualifications:

25 (i) Is organized or, in the case of a United States branch
26 or agency office of a foreign banking organization, licensed
27 under the laws of the United States or any state thereof and has
28 been granted authority to operate with fiduciary powers.

29 (ii) Is regulated, supervised and examined by Federal or
30 state authorities having regulatory authority over banks and
31 trust companies.

32 Section 1.1. The definitions of "control" and "NAIC" in
33 section 1401 of the act, added December 18, 1992 (P.L.1519,
34 No.178), are amended and the section is amended by adding
35 definitions to read:

36 Amend Bill, page 36, by inserting between lines 9 and 10

37 (1) The amendment of section 319.1 of the act shall take
38 effect immediately.

39 Amend Bill, page 36, line 10, by striking out "(1)" and
40 inserting

41 (2)

42 Amend Bill, page 36, line 12, by striking out "(2)" and
43 inserting

44 (3)

45 Amend Bill, page 36, line 13, by striking out "(3)" and

- 1 inserting
- 2 (4)