

HB 525 -- LIFE AND HEALTH REINSURANCE CONTRACTS

SPONSOR: Molendorp

COMMITTEE ACTION: Voted "do pass by consent" by the Committee on Insurance Policy by a vote of 9 to 0.

This bill establishes requirements regarding certain contracts reinsuring life or health insurance policies or annuities which are covered under the Insurers Supervision, Rehabilitation and Liquidation Act. In its main provisions, the bill:

(1) Requires certain contracts reinsuring insurance policies or annuities and issued by a ceding insurer that have been placed in conservation or rehabilitation proceedings to be continued or terminated under the terms of each contract and the provisions of the bill;

(2) Requires certain contracts reinsuring insurance policies or annuities and issued by a ceding insurer that have been placed into liquidation to be continued unless terminated under certain specified conditions;

(3) Allows a guaranty association covering insurance policies or annuities to elect to assume the rights and obligations of the ceding insurer at any time within 180 days of the coverage date;

(4) Requires copies of reinsurance contracts and notices of defaults under the contracts to be made available upon request to the affected guaranty association or foreign guaranty association as soon as possible after the beginning of any formal delinquency proceeding;

(5) Establishes the procedures when a contract reinsuring insurance policies or annuities under these provisions is terminated; and

(6) Specifies that these provisions must not alter or modify the terms and conditions of any reinsurance contract, revoke or limit any rights of any reinsurer to claim that it is entitled to rescind a reinsurance contract, give a policyholder or beneficiary an independent cause of action against a reinsurer that is not otherwise specified in the reinsurance contract, limit or affect any guaranty association's rights as a creditor of the estate against the assets of the estate, and will apply to reinsurance agreements covering property or casualty risks.

FISCAL NOTE: No impact on state funds in FY 2012, FY 2013, and FY 2014.

PROPONENTS: Supporters say that the bill is from model legislation proposed by the National Association of Insurance Commissioners (NAIC) regarding the contracts of troubled insurers. The bill will allow a company to assume the policyholder obligations of an insolvent insurer and reinsure the policies through a reinsurance agreement. The bill ensures that policyholders will not be affected monetarily by the transfer of the policies from an insolvent insurer.

Testifying for the bill were Representative Molendorp; Matthew Fillo, RGA Reinsurance Company; and David Gates, General USA Life Reinsurance.

OPPONENTS: There was no opposition voiced to the committee.