

By: Madden

H.B. No. 39

A BILL TO BE ENTITLED

AN ACT

relating to the reinsurance of certain insurance business.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article 3.10(1), Insurance Code, is amended to read as follows:

(1) An insurer shall account for reinsurance agreements and shall record those reinsurance agreements in the insurer's financial statement in a manner that accurately reflects the effect of the reinsurance agreements on the financial condition of the company. The department [~~State Board of Insurance~~] may adopt reasonable rules relating to the accounting and financial statement requirements of this section and the treatment of reinsurance agreements between insurance companies, including minimum risk transfer standards, asset debits or credits, reinsurance debits or credits, and reserve debits or credits relating to the transfer of all or any part of an insurer's risks or liabilities by reinsurance agreements and any contingencies arising from reinsurance agreements. Gains and losses for reinsurance of in-force blocks of insurance business may be recognized immediately by the assuming insurer in its summary of operations, including gains or losses related to the adjustment of reserves consistent with current reserve regulations. The assuming insurer shall notify the department of the assuming insurer's intent to recognize gains or losses based on reserves not later than the 30th day after the date

1 of the transaction. Rules adopted subsequent to September 1, 1995,
2 shall apply to reinsurance agreements entered into on or after the
3 effective date of such rules, and to reinsurance agreements that
4 are amended on or after the effective date of such rules. A
5 reinsurance agreement may contain a provision that allows the
6 offset of mutual debts and credits between a ceding insurer and the
7 assuming insurer, whether arising out of one or more reinsurance
8 agreements.

9 SECTION 2. The change in law made by this Act to Article
10 3.10(1), Insurance Code, begins to apply with the first reporting
11 period beginning on or after the effective date of this Act.

12 SECTION 3. This Act takes effect immediately if it receives
13 a vote of two-thirds of all the members elected to each house, as
14 provided by Section 39, Article III, Texas Constitution. If this
15 Act does not receive the vote necessary for immediate effect, this
16 Act takes effect November 1, 2003.