

House Bill 3161
Senate Amendments
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SECTION 1. Chapter 841, Insurance Code, is amended by adding Subchapter P to read as follows:

SUBCHAPTER P. LIMITED PURPOSE SUBSIDIARY LIFE INSURANCE COMPANIES

Sec. 841.801. PURPOSE. The purpose of this subchapter is to authorize the establishment of domestic limited purpose subsidiary life insurance companies ("limited purpose company" or "LPS") in order to allow that such limited purpose companies may issue securities and otherwise access financial markets and alternative sources of capital through securitizations and other transactions.

Sec. 841.802. DEFINITIONS. For purposes of this subchapter, the following definitions shall apply:

(1) "Affiliated companies" means:

(A) domestic life insurance companies that are directly or indirectly wholly owned subsidiaries of the same holding company; or

(B) controlled persons.

(2) "Ceding insurer" means either

a domestic life insurance company that is the parent of the limited purpose subsidiary or an affiliated company of a limited purpose subsidiary and that cedes risk to the LPS pursuant to a reinsurance contract.

(3) "Commissioner" means the insurance commissioner.

(4) "Controlled person" means a person organized or authorized to do business under the laws of this state who is controlled directly or indirectly by a holding company.

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SECTION 1. Chapter 841, Insurance Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. LIMITED PURPOSE SUBSIDIARY LIFE INSURANCE COMPANIES

Sec. 841.401. PURPOSE. The purpose of this subchapter is to authorize the establishment of domestic limited purpose subsidiary life insurance companies to enable those companies to support excess reserves for certain life insurance policies.

Sec. 841.402. DEFINITIONS. In this subchapter:

(1) "Affiliated company" means:

(A) domestic life insurance companies that are directly or indirectly wholly owned subsidiaries of the same holding company; or

(B) controlled persons.

(2) "Appointed actuary" means the actuary who is appointed by a limited purpose subsidiary life insurance company to render the actuarial opinion required by Subchapter B, Chapter 425.

(3) "Ceding insurer" means a company that cedes risk to a limited purpose subsidiary life insurance company under a reinsurance contract and that is:

(A) a domestic life insurance company that is the parent of a limited purpose subsidiary life insurance company; or

(B) an affiliated company of a limited purpose subsidiary life insurance company.

(4) "Controlled person" means a person organized or authorized to do business under the laws of this state that is controlled directly or indirectly by a holding company.

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(5) "Guaranty" means an agreement to pay specified obligations of the limited purpose subsidiary by a holding company or affiliated company of the limited purpose subsidiary approved by the commissioner that is not a ceding insurer and the guarantor has sufficient equity, less the equity of all ceding insurers that are subsidiaries of the guarantor, to satisfy the agreement during the life of the guaranty.

(6) "Holding company" means a person who directly or indirectly controls an insurer.

(7) "Insurance securitization" or "securitization" means a transaction or a group of related transactions, which may include capital market offerings, that are effected through related risk transfer instruments and facilitating administrative agreements where all or part of the result of such transactions is used to fund the LPS's obligations under a reinsurance

(5) "Excess reserves" means the amount of statutory reserves determined to be redundant by the appointed actuary for life insurance policies whose reserves are calculated under 28 T.A.C. Chapter 3, Subchapter EE. Excess reserves may not be an amount greater than the difference between the reserves calculated using 28 T.A.C. Chapter 3, Subchapter EE, and the reserves calculated using generally accepted accounting principles.

(6) "Guarantor" means a holding company or an affiliated company under Section 841.417 of the limited purpose subsidiary life insurance company that is a party to a guaranty.

(7) "Guaranty" means a commissioner-approved agreement by a guarantor with sufficient equity and financial strength to pay, during the life of the guaranty, an amount equal to the specified obligations of a limited purpose subsidiary life insurance company, less the equity of all ceding insurers that are subsidiaries of the guarantor, to satisfy the agreement.

(8) "Holding company" means a person that directly or indirectly controls an insurer.

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contract with a ceding insurer and by which proceeds are:

(A) obtained by an LPS, directly or indirectly, through the issuance of securities by the LPS or any other person; or

(B) provided through one or more letters of credit or other assets for the benefit of the LPS, which the commissioner authorizes the LPS to treat as admitted assets for purposes of the LPS's annual statement where all or any part of such proceeds, letters of credit, or assets, as applicable, is used to fund the LPS's obligations under a reinsurance contract with a ceding insurer.

(8) "Insurer" for purposes of this chapter, means a domestic life insurance company organized under Chapter 841.

(9) "Letters of credit" means clean, unconditional, irrevocable letters of credit issued or confirmed by a qualified United States financial institution as defined in Section 492.104(b)(2)(C) of this code.

(10) "LPS" means a limited purpose subsidiary life insurance company organized pursuant to this subchapter, that is wholly owned by a life insurance company or an affiliated company and that is issued a certificate of authority by the commissioner pursuant to this chapter.

(11) "LPS security" means:

(A) a security issued by an LPS; or

(B) a security issued by a third party, the proceeds of which are obtained directly or indirectly by an LPS.

(12) "Management" means the board of directors, managing board, or other individual or individuals vested with overall responsibility for the management of the affairs of the LPS.

(13) "Material" means a transaction or series of transactions involving amounts equal to or exceeding three percent of the LPS's admitted assets less any letters of credit, guaranties and

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(9) "Insurer" means a domestic life insurance company organized under this chapter.

(10) "Letter of credit" means a clean, unconditional, irrevocable letter of credit issued or confirmed by a qualified United States financial institution, as defined by Section 492.104(b)(2)(C).

(11) "Limited purpose subsidiary life insurance company" means a limited purpose subsidiary life insurance company organized under this subchapter:

(A) that is wholly owned by a life insurance company or an affiliated company; and

(B) to which the commissioner issues a certificate of authority under this chapter.

(12) "Material transaction" means a transaction or series of transactions involving amounts equal to or exceeding three percent of a limited purpose subsidiary life insurance

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intangible assets included as an admitted asset of the LPS.

(14) "Organizational documents" means an LPS's articles of incorporation and bylaws.

(15) "Organizing company" means the company that organizes an LPS pursuant to this subchapter.

(16) "Parent" means a person, as defined in Section 823.002(7) of this code, that directly or indirectly through one or more intermediaries wholly owns or is an affiliated company of an LPS.

(17) "Person" has the same meaning as defined in Section 823.002(7) of this code.

(18) "Reinsurance contract" means a contract between an LPS and a ceding insurer pursuant to which the LPS agrees to provide reinsurance to the ceding insurer for risks.

(19) "Risk" means risks associated with life insurance policies and annuity contracts written by the ceding insurer or assumed by the ceding insurer from an affiliated company which were written by the affiliated company and for which the ceding insurer holds statutory reserves for those policies.

(20) "Security" means the same as defined in Article 581-4(a), Vernon's Civil Statutes, and shall also include any form of debt obligation, surplus note, derivative, or other financial instrument that the commissioner designates as a "security" for purposes of this chapter.

(21) "Surplus note" means an unsecured subordinated debt obligation.

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company's admitted assets.

(13) "Organizational document" means a limited purpose subsidiary life insurance company's articles of incorporation and the company's bylaws.

(14) "Organizing company" means the company that organizes a limited purpose subsidiary life insurance company under this subchapter.

(15) "Parent" means a person that directly or indirectly controls through one or more intermediaries, or wholly owns, a limited purpose subsidiary life insurance company.

(16) "Person" has the meaning assigned by Section 823.002.

(17) "Reinsurance contract" means a contract between a limited purpose subsidiary life insurance company and a ceding insurer under which the limited purpose subsidiary life insurance company agrees to provide reinsurance to the ceding insurer for certain risks.

(18) "Risk" means a risk associated with life insurance policies written on or after the effective date of this chapter by a ceding insurer, or assumed by a ceding insurer from an affiliated company under life insurance policies which were written on or after the effective date of this chapter, by the affiliated company and for which the ceding insurer calculates statutory reserves for those policies pursuant to 28 T.A.C. Chapter 3, Subchapter EE.

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Sec. 841.803. ORGANIZATIONAL DOCUMENTS OF AN LPS. (a) Either a wholly owned domestic insurer authorized to transact the business of insurance pursuant to Chapter 841 or an affiliated company organized or authorized to conduct business under the laws of this state may organize a domestic limited purpose subsidiary life insurance company pursuant to the provisions of this chapter.

(b) The limited purpose subsidiary life insurance company may reinsure risks of the organizing company, reinsure risks of affiliated companies, and access alternative forms of financing.

(c) An LPS's organizational documents shall limit the LPS's authority to transact the business of reinsurance to reinsure only the risks of a ceding insurer and shall state that the LPS shall not otherwise engage in the business of insurance.

(d) An LPS's organizational documents shall provide that the LPS shall always be either wholly owned by a domestic insurer authorized to transact the business of insurance pursuant to Chapter 841 or an affiliated company organized or authorized to do business under the laws of this state.

Sec. 841.804. CERTIFICATE OF AUTHORITY REQUIRED. No LPS shall do any reinsurance business in this state unless it obtains from the commissioner a certificate of authority pursuant to this rule.

Sec. 841.805. APPLICATION FOR CERTIFICATE OF AUTHORITY. (a) To obtain a charter for a domestic LPS, the incorporators must pay to the department the charter fee in an amount determined under Chapter 202 and file with the department:

(1) an application for charter on the form and containing the

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Sec. 841.403. ORGANIZATIONAL DOCUMENTS. (a) A wholly owned domestic insurer authorized to transact the business of insurance under this chapter or an affiliated company organized or authorized to conduct business under the laws of this state may organize a limited purpose subsidiary life insurance company under this subchapter.

(b) A limited purpose subsidiary life insurance company may reinsure risks of the organizing company and of an affiliated company.

(c) A limited purpose subsidiary life insurance company's organizational documents must:

(1) limit the company's authority to transact the business of insurance to reinsuring only the risks of a ceding insurer;

(2) provide that the limited purpose subsidiary life insurance company may not otherwise engage in the business of insurance; and

(3) provide that the limited purpose subsidiary life insurance company must always be wholly owned by a domestic insurer authorized to transact the business of insurance under this chapter or by an affiliated company organized or authorized to do business under the laws of this state.

Sec. 841.404. CERTIFICATE OF AUTHORITY REQUIRED. A limited purpose subsidiary life insurance company may not engage in the business of reinsurance in this state unless the limited purpose subsidiary life insurance company obtains from the commissioner a certificate of authority under this subchapter.

Sec. 841.405. APPLICATION FOR CERTIFICATE OF AUTHORITY. To obtain a charter for a limited purpose subsidiary life insurance company, the incorporators of the company shall pay to the department a charter fee in an amount determined under Chapter 202 and file with the department:

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information prescribed by the commissioner;

(2) the company's articles of incorporation;

(3) an affidavit made by two or more of the incorporators that states that:

(A) the minimum capital and surplus requirements of this subchapter are satisfied;

(B) the capital and surplus are the bona fide property of the company;

(C) the information in the articles of incorporation is true and correct;

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(1) an application for charter on the form prescribed by, and containing the information prescribed by, the commissioner;

(2) the company's articles of incorporation;

(3) an affidavit made by the company's president, vice president, treasurer, or chief financial officer stating that:

(A) the minimum capital and surplus requirements of this subchapter are satisfied;

(B) the capital and surplus are the bona fide property of the company;

(C) the information in the articles of incorporation is true and correct;

(D) the proposed organization and operation of the limited purpose subsidiary life insurance company comply with all applicable provisions of this subchapter;

(E) the limited purpose subsidiary life insurance company's investment policy reflects and takes into account the liquidity of assets and the reasonable preservation, administration, and management of those assets with respect to the risks associated with the reinsurance contract; and

(F) any reinsurance contract and any arrangement for securing the limited purpose subsidiary life insurance company's obligations under the reinsurance contract, including any agreements or other documentation to implement the arrangement;

(4) a business plan that includes pro forma financial statement projections that demonstrate how the limited purpose subsidiary life insurance company will comply with Section 841.412;

(5) a copy of any proposed guaranty that demonstrates how compliance with Sections 841.412 and 841.417 will be achieved;

(6) an opinion of a qualified independent actuary acceptable to the commissioner that the methodology and assumptions

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(4) submit any other statements or documents required by the commissioner to evaluate the LPS's application for a certificate of authority.

Sec. 841.806. INVESTMENT BY ORGANIZING COMPANY. If the organizing company is a domestic life insurance company, it may invest funds from its surplus in a limited purpose subsidiary life insurance company **organized pursuant to this section.**

Sec. 841.807. OFFICERS AND DIRECTORS. The organizing company's officers and directors may serve as officers and directors of a limited purpose subsidiary life insurance company **organized pursuant to this section.**

Sec. 841.808. ISSUANCE OF CERTIFICATE OF AUTHORITY. (a) The commissioner may issue a certificate of authority to an LPS, authorizing the LPS to transact reinsurance business as an LPS in this state based on the findings **required in Section 841.061 of this code.**

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used to set and discount reserves make good and sufficient provision for the risk assumed by the limited purpose subsidiary life insurance company, including significant stress tests on key assumptions; and

(7) any other statement or document required by the commissioner to evaluate the limited purpose subsidiary life insurance company's application for a certificate of authority.

Sec. 841.406. INVESTMENT OF CERTAIN SURPLUS BY ORGANIZING COMPANY. If the company that organizes a limited purpose subsidiary life insurance company is a domestic life insurance company, the organizing company may invest funds from the organizing company's surplus in the limited purpose subsidiary life insurance company.

Sec. 841.407. OFFICERS AND DIRECTORS. The officers and directors of a company that organizes a limited purpose subsidiary life insurance company may serve as officers and directors of the limited purpose subsidiary life insurance company.

Sec. 841.408. ISSUANCE OF CERTIFICATE OF AUTHORITY. (a) The commissioner may issue a certificate of authority to a limited purpose subsidiary life insurance company, authorizing the company to transact reinsurance business in this state as a limited purpose subsidiary life insurance company based on a finding that:

(1) the company's application meets the criteria contained in this subsection;

(2) the proposed plan of the limited purpose subsidiary life insurance company provides for viable operation of the company, including a determination by the commissioner that the limited purpose subsidiary life insurance company applicant has sufficiently strong financial support;

(3) the guaranties meet the requirements of Section 841.417;

(4) the terms of any reinsurance arrangement, including the

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(b) In conjunction with the issuance of a certificate of authority to an LPS, the commissioner may issue an order that includes any provisions, terms, and conditions regarding the organization, licensing, and operation of the LPS that the commissioner deems appropriate and that are not inconsistent with the provisions of this chapter.

Sec. 841.809. SCOPE OF CERTIFICATE OF AUTHORITY.

(a) An LPS that has been issued a certificate of authority may reinsure only the risks of a ceding insurer.

(b) An LPS shall not otherwise engage in the business of insurance.

(c) An LPS may purchase reinsurance to cede the risks assumed under a reinsurance contract.

(d) A limited purpose subsidiary life insurance company organized pursuant to this section shall be deemed to be licensed to transact the business of reinsurance for the purposes of Section 492.051, but may only reinsure risks of its affiliated companies.

reinsurance contract and related transactions, comply with this subchapter and all applicable insurance laws and rules;

(5) the proposed application and reinsurance arrangement is not hazardous to any ceding insurer; and

(6) the proposed application and reinsurance contract will always fund authorized investments that comply with Section 841.412, including statutory reserves for life insurance with invested assets at least equal to the amount of reserves required under generally accepted accounting principles.

(b) In conjunction with the issuance of a certificate of authority under this section, the commissioner may issue an order that includes any provisions, terms, and conditions regarding the organization, licensing, and operation of the limited purpose subsidiary life insurance company that the commissioner deems appropriate and that are not inconsistent with this chapter, including requesting from the company information to monitor the financial strength of guarantors and requiring the periodic reporting and monitoring of assets behind any guaranties issued.

Sec. 841.409. SCOPE OF CERTIFICATE OF AUTHORITY.

(a) A limited purpose subsidiary life insurance company that has been issued a certificate of authority may reinsure only the risks of a ceding insurer. A limited purpose subsidiary life insurance company may not otherwise engage in the business of insurance.

(b) A limited purpose subsidiary life insurance company may purchase reinsurance to cede the risks assumed under a reinsurance contract.

(c) A limited purpose subsidiary life insurance company organized under this subchapter is considered to be licensed to transact the business of reinsurance for the purposes of Section 492.051, but may only reinsure risks of the company's affiliated companies.

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Sec. 841.810. CAPITAL AND SURPLUS. (a) An LPS shall not be issued a certificate of authority unless it possesses and thereafter maintains unimpaired paid-in capital and surplus of not less than **the amounts required by Section 841.054(a) of this code.**

Sec. 841.811. DIVIDENDS AND DISTRIBUTIONS. An LPS may pay dividends and distributions that do not decrease the capital of the LPS below the minimum capital and surplus amount required by Section 841.810.

Sec. 841.812. REPORTS OF SECURITIZATIONS. An LPS shall provide the commissioner with a copy of a complete set of executed documentation of an insurance securitization no later than 45 days after the closing on the transactions for such securitization.

Sec. 841.813. FORECLOSURE ON COLLATERAL. An LPS shall notify the commissioner immediately of any action by a ceding insurer or any other person to foreclose on or otherwise take possession of collateral provided by the LPS to secure any obligation of the LPS.

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(d) A limited purpose subsidiary life insurance company shall provide the commissioner with notice of any change in the company's business plan required by Section 841.405, including any material change in the methods used to comply with Section 841.413.

Sec. 841.410. CAPITAL AND SURPLUS. (a) The commissioner may not issue a certificate of authority to a limited purpose subsidiary life insurance company unless the company possesses and maintains unimpaired paid-in capital and surplus of not less than **\$10 million.**

(b) A limited purpose subsidiary life insurance company shall comply with the risk-based capital requirements adopted by the commissioner by rule.

(c) A limited purpose subsidiary life insurance company shall maintain risk-based capital in an amount that is at least equal to 300 percent of the authorized control level of risk-based capital adopted by the commissioner.

Sec. 841.411. FORECLOSURE ON COLLATERAL. A limited purpose subsidiary life insurance company shall immediately notify the commissioner of any action by a ceding insurer or any other person to foreclose on, or otherwise take possession of, collateral provided by the limited purpose subsidiary life insurance company to secure an obligation of the company.

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Sec. 841.814. FILING REPORTS WITH THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS. Notwithstanding Section 802.051 of this code, or any other law, an LPS shall not be required to file any report, notice, or other document with the National Association of Insurance Commissioners unless required by the commissioner.

Sec. 841.815. SECURITIZATION AGREEMENTS. The LPS securitization, the security-offering memorandum or other document issued to prospective investors regarding the offer and sale of a surplus note or other security shall include a disclosure that all or part of the proceeds of such insurance securitization will be used to fund the LPS's obligations to the ceding insurer.

Sec. 841.816. ADMITTED ASSETS. (a) Admitted assets of a limited purpose subsidiary life insurance company shall include assets approved by the commissioner which shall be deemed to be, and reported as, admitted assets of the LPS.

(b) In addition to the investments authorized under Subchapters C, and D of Chapter 425 of this code and notwithstanding any other law, admitted assets of the LPS shall include proceeds from a securitization, premium and other amounts payable by a ceding insurer to the LPS, letters of credit, guaranties of a holding company, guaranties of an affiliated company, and any other assets approved by the commissioner, which shall be deemed to be, and reported as, admitted assets of the LPS.

Sec. 841.817. SECURITIES. (a) An LPS security shall not be subject to regulation as an insurance or reinsurance contract.

(b) An investor in such a security or a holder of such a security shall not be considered to be transacting the business of insurance in this state solely by reason of having an interest in the security.

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(c) The underwriter's placement or selling agents and their partners, commissioners, officers, members, managers, employees, agents, representatives, and advisors involved in an insurance securitization by an LPS shall not be considered to be insurance producers or brokers or to be conducting business as an insurance or reinsurance company or as an insurance agency, brokerage, intermediary, advisory, or consulting business solely by virtue of their underwriting activities in connection with such securitization.

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Sec. 841.412. MINIMUM AUTHORIZED INVESTMENT REQUIREMENT AFTER CREDIT FOR REINSURANCE; LETTERS OF CREDIT; GUARANTIES. (a) A limited purpose subsidiary life insurance company shall hold investments authorized under Subchapters C and D, Chapter 425, exclusive of investments in affiliates, in an amount that at least equals the sum of:

- (1) the minimum capital and surplus requirements of Section 841.410;
- (2) the risk-based capital requirements adopted by the commissioner; and
- (3) reserves calculated using generally accepted accounting principles.

(b) Subject to compliance with Subsection (a) and notwithstanding Chapter 425, a limited purpose subsidiary life insurance company may reduce the amount of the company's excess reserves on account of:

- (1) reinsurance that complies with Chapter 492;
- (2) a letter of credit that complies with Section 492.104(b)(2)(C); or
- (3) guaranties from a holding company or an affiliated company as provided by Section 841.417.

(c) Notwithstanding Subsection (b), a limited purpose subsidiary life insurance company may hold guaranties from a

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Sec. 841.818. PERMITTED REINSURANCE. (a) An LPS may reinsure, pursuant to a reinsurance contract, only the risks of a ceding insurer.

(b) Unless otherwise approved in advance by the commissioner, an LPS may not assume or retain exposure to reinsurance losses for its own account that are not funded by one or more of the following:

(1) proceeds from a securitization;

(2) premium and other amounts payable by the ceding insurer to the LPS pursuant to the reinsurance contract;

(3) letters of credit;

(4) guaranties of a holding or affiliated company; or

(5) any return on investment of the items in Subsections (1) or (2).

(c) An LPS may cede risks assumed through a reinsurance contract to one or more reinsurers through the purchase of reinsurance, subject to the prior approval of the commissioner.

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holding company or an affiliated company as provided by Section 841.417 as an admitted asset with an offsetting increase in special surplus funds to support excess reserves only.

Sec. 841.413. PERMITTED REINSURANCE. (a) A limited purpose subsidiary life insurance company may only reinsure the risks of a ceding insurer under a reinsurance contract.

(b) Unless otherwise approved in advance by the commissioner, a limited purpose subsidiary life insurance company may not assume or retain exposure to reinsurance losses for the company's own account that are not funded by:

(1) premium and other amounts payable by the ceding insurer to the limited purpose subsidiary life insurance company under the reinsurance contract, or any return on the investment of the premiums or other amounts;

(2) letters of credit that qualify under Section 492.104(b)(2)(C); or

(3) guaranties of a holding company or an affiliated company as provided by Section 841.417.

(c) A limited purpose subsidiary life insurance company may cede risks assumed under a reinsurance contract to one or more reinsurers through the purchase of reinsurance, subject to the prior approval of the commissioner. The commissioner may approve a reinsurance contract under this subsection if the commissioner finds that:

(1) the proposed reinsurance complies with Chapter 492;

(2) the proposed reinsurer has sufficient liquidity, admitted assets, and policyholder surplus to support the liabilities assumed under the reinsurance contract; and

(3) the proposed reinsurance contract would not result in a hazardous financial condition for the limited purpose

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(d) An LPS may enter into contracts and conduct other commercial activities related or incidental to and necessary to fulfill the purposes of a reinsurance contract, an insurance securitization, and this chapter. Such contracts and activities may include but are not limited to:

(1) entering into reinsurance contracts;

(2) issuing LPS securities;

(3) complying with the terms of these contracts or securities;

(4) entering into trust, guaranteed investment contract, swap, or other derivative, tax, administration, services reimbursement, or fiscal agent transactions;

(5) complying with trust indenture, reinsurance, or retrocession; or

(6) entering into other agreements necessary or incidental to effect a reinsurance contract or an insurance securitization in compliance with this chapter.

(e) Unless otherwise approved in advance by the commissioner, a reinsurance contract shall not contain any provision for payment by the LPS in discharge of its obligations under the reinsurance contract to any person other than the ceding insurer or any receiver of the ceding insurer.

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subsidiary life insurance company.

(d) A limited purpose subsidiary life insurance company may enter into contracts and conduct other commercial activities related or incidental to, and necessary to fulfill the purposes of, a reinsurance contract.

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Sec. 841.414. REPORTS ON RESERVES AND RISK-BASED CAPITAL. (a) A limited purpose subsidiary life insurance company annually shall file an opinion of the appointed actuary acceptable to the commissioner concerning the methods and assumptions used to set reserves. The opinion must demonstrate that the limited purpose subsidiary life insurance company holds risk-based capital and invested admitted assets that are at least equal to reserves specified by generally accepted accounting principles.

(b) The commissioner may reject the opinion of the appointed actuary if the commissioner determines that accepting the

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Sec. 841.825. OTHER LAWS NOT APPLICABLE. The deposit requirements in Subchapter H of this chapter shall not apply to an LPS.

opinion would be hazardous to policyholders, enrollees, creditors, or the public.

(c) A limited purpose subsidiary life insurance company annually shall file with the commissioner a report of the limited purpose subsidiary life insurance company's risk-based capital level as of the end of the preceding calendar year containing the information required by the risk-based capital instructions adopted by the commissioner.

Sec. 841.415. OTHER LAWS NOT APPLICABLE. The deposit requirements in Subchapter H do not apply to a limited purpose subsidiary life insurance company.

Sec. 841.416. APPLICABILITY OF OTHER LAW. Except as specifically provided by law, all provisions of this code apply to a limited purpose subsidiary life insurance company formed under this subchapter.

Sec. 841.417. GUARANTY REQUIREMENTS. (a) A guaranty may not be used to comply with this chapter without the prior written approval of the commissioner.

(b) Before approving a guaranty, the commissioner must find that:

(1) the guarantor has capital and surplus of \$100 million, exclusive of investments in subsidiaries and affiliates;

(2) the guarantor has admitted assets backing capital and surplus in an amount sufficient to fulfill the guaranty, and the sufficiency on an ongoing basis is demonstrated to the satisfaction of the commissioner;

(3) the guarantor and all affiliates are in good standing with the department;

(4) the guarantor has provided all information requested by the commissioner; and

(5) the guarantor is otherwise acceptable to the commissioner.

(c) Notwithstanding Subsection (b), the commissioner may allow, subject to the commissioner's prior approval, an

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affiliated company of the holding company to serve as guarantor. The commissioner may approve an affiliated company as a guarantor on a finding that the affiliated company possesses the independent financial means to discharge the guaranty using the affiliated company's own financial resources.

Sec. 841.418. SUNSET PROVISION. This subchapter is valid for business sold only until January 1 of the year in which principle-based reserve requirements become operative in Texas under the adoption of the National Association of Insurance Commissioners' 2009 amendments to the NAIC Model Standard Valuation Law. After that January 1, the limited purpose subsidiary life insurance company may not assume new risks of a ceding insurer relating to business sold after that date.

Sec. 841.419. CERTIFICATION OF ACTUARIAL OFFICER. (a) At the time a limited purpose subsidiary life insurance company files an application for a certificate of authority under this subchapter, and not later than March 1 of each year that a limited purpose subsidiary life insurance company is in operation and is ceded new business from a ceding insurer, a senior actuarial officer of each ceding insurer shall file with the commissioner a certification that the ceding insurer's transactions with the limited purpose subsidiary life insurance company are not being used to gain an unfair advantage in the pricing of the ceding insurer's products.

(b) A ceding insurer may not be deemed to have an unfair advantage if the pricing of the policies and contracts reinsured by the limited purpose subsidiary life insurance company reflects, at the time the policies and contracts were issued, a reasonable long-term estimate of the cost to the ceding insurer of an alternative third-party transaction, and uses current pricing assumptions.

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(c) The ceding insurer shall keep documentation between examinations that sets forth the manner in which a senior actuarial officer arrived at the conclusions in the certification. Sec. 841.420. ACCOUNTING AND FINANCIAL REPORTING. The commissioner shall prescribe accounting and financial reporting requirements with regard to the limited purpose subsidiary life insurance company and any insurer as defined by Section 841.402 that organizes a limited purpose subsidiary life insurance company.

SECTION 2. This Act shall be effective January 1, 2012.

SECTION 2. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2011.