

ENGROSSED SENATE  
BILL NO. 86

By: Rozell of the Senate  
and  
Cotner of the House

An Act relating to insurance; amending Section 37, Chapter 178, O.S.L. 1992 (36 O.S. Supp. 1994, Section 5123), which relates to reduction from liability for ceded reinsurance; providing for additional form of security; requiring supplemental filing to annual statement for certain purposes; providing for continued acceptability of letters of credit until certain action is taken; defining term; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY Section 37, Chapter 178, O.S.L. 1992 (36 O.S. Supp. 1994, Section 5123), is amended to read as follows:

Section 5123. A. A reduction from liability for the reinsurance ceded by a domestic insurer to an assuming insurer not meeting the requirements of Section ~~36~~ 5122 of this ~~act~~ title shall be allowed in an amount not exceeding the liabilities carried by the ceding insurer and such reduction shall be in the amount of funds held by or on behalf of the ceding insurer, including funds held in trust for the ceding insurer, under a reinsurance contract with such assuming insurer as security for the payment of obligations

thereunder, if such security is held in the United States subject to withdrawal solely by, and under the exclusive control of, the ceding insurer; or, in the case of a trust, held in a qualified United States financial institution, as defined in Section 23 5102 of this ~~act~~ title. This security may be in one or more of the following forms:

1. Cash;

2. Securities listed by the Securities Valuation Office of the National Association of Insurance Commissioners and qualifying as admitted assets; and

3. Any other form of security acceptable to the Insurance Commissioner.

B. 1. A reduction from liability for the reinsurance ceded by a domestic insurer pursuant to the provisions of this section shall be allowed for security in the form of clean, irrevocable, unconditional letters of credit, issued or confirmed by a qualified United States financial institution, as defined herein, no later than December 31 in respect of the year for which filing is being made, and in the possession of the ceding company on or before the filing date of its annual statement. Provided, for purposes of regulating domestic insurers in this state, the ceding insurer shall make a supplemental filing to the annual statement which restates the insurer's liability and surplus requirements as if no reduction were allowed pursuant to this subsection.

2. Letters of credit meeting applicable standards of issuer acceptability as of the dates of their issuance or confirmation shall, notwithstanding the issuing or confirming institution's subsequent failure to meet applicable standards of issuer acceptability, continue to be acceptable as security until their expiration, extension, renewal, modification or amendment, whichever first occurs.

3. For purposes of this subsection, "qualified United States financial institution" means an institution that:

- a. is organized or, in the case of a United States office of a foreign banking organization, is licensed under the laws of the United States or any state thereof,
- b. is regulated, supervised and examined by federal or state authorities having regulatory authority over banks and trust companies, and
- c. has been determined by either the Insurance Commissioner, or the Securities Valuation Office of the National Association of Insurance Commissioners, to meet such standards of financial condition and standing as are considered necessary and appropriate to regulate the quality of financial institutions whose letters of credit will be acceptable to the Commissioner.

SECTION 2. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the Senate the 22nd day of February, 1995.

President of the Senate

Passed the House of Representatives the \_\_\_\_ day of

\_\_\_\_\_, 1995.

Speaker of the House of Representatives