

SHORT TITLE: Insurance; making certain National Association of Insurance Commissioners' formulas regarding surplus inapplicable to single state insurers; codification; effective date.

STATE OF OKLAHOMA

2nd Session of the 45th Legislature (1996)

SENATE BILL NO. 789

By: Henry

AS INTRODUCED

An Act relating to insurance; defining term; stating application of act and of conflicting provisions; making certain National Association of Insurance Commissioners' formulas regarding surplus inapplicable to single state insurers; stating requirement for minimum surplus in regard to policyholders; stating requirement for expendable surplus; requiring annual actuarial opinion be filed certifying adequacy of unearned premium, loss, and loss expense reserves and defining term; stating filing date and qualifications of actuary; authorizing use by certain insurers of present value discounting for computing reserves; specifying investments for funds from discounted reserves; providing for codification; and providing an effective date.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 612.3 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. As used in this section, "single state insurer" means a domestic insurer which:

1. Writes business only in this state;

2. Assumes no reinsurance; and

3. Writes physicians' or hospitals' professional liability insurance.

B. This section shall apply only to single state insurers which shall be governed by its provisions to the extent provided herein. Single state insurers shall be governed by all other provisions of Title 36 of the Oklahoma Statutes only to the extent that such provisions are not in conflict with the provisions of this section. No law relating to insurance enacted after the effective date of this act shall supersede the provisions of this section unless so expressly stated therein.

C. No provision of the National Association of Insurance Commissioners' annual statement instruction handbooks or of the National Association of Insurance Commissioners' accounting practices and procedures manuals which require that the sufficiency of the "surplus as regards policyholders" of an insurer be determined by reference to any formula, whether denominated "risk-based capital" or otherwise, which formula is designed to calculate a minimum level of capital and surplus related to the amounts and types of risks assumed by such insurer, shall be applicable to any single state insurer.

D. 1. A single state insurer shall possess and maintain surplus in regard to policyholders, which is defined as the aggregate of the capital and surplus if a stock insurer, or surplus if a mutual or reciprocal insurer, in an amount at least equal to the greater of Five Hundred Thousand Dollars (\$500,000.00) or twenty percent (20%) of gross annual written premiums.

2. In addition to the minimum surplus in regard to policyholders as required by paragraph 1 of this subsection, each single state insurer shall possess at the time of initial authorization expendable surplus funds in an amount of not less than one-half (1/2) of the minimum surplus in regard to policyholders.

E. 1. A single state insurer shall maintain adequate unearned premium, loss, and loss expense reserves. Single state insurers shall file an annual actuarial opinion certifying to the adequacy of these reserves. For purposes of this subsection, "adequate" means that such insurers' reserves fall within a range of values that make reasonable provision for losses and loss expenses.

2. Annual actuarial opinions required pursuant to this subsection shall be filed by the single state insurer with the Insurance Commissioner on or before the first day of April. All actuarial opinions shall be from an independent actuary with membership in the American Academy of Actuaries or The Casualty Actuarial Society. An actuarial opinion that meets the requirements of this subsection shall be accepted by the Insurance Commissioner as conclusive evidence of the adequacy of such reserves.

F. Single state insurers may use present value discounting for computing reserves for physicians' and hospitals' professional liability insurance. Section 1509 of Title 36 of the Oklahoma Statutes shall not apply to single state insurers.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 612.4 of Title 36, unless there is created a duplication in numbering, reads as follows:

Single state insurers discounting reserves pursuant to this act shall invest and maintain their funds only in cash or in securities described in the following sections of Title 36 of the Oklahoma Statutes:

1. Section 1607 (securities of or guaranteed by the United States);
2. Section 1608 (state and Canadian public obligations);
3. Section 1609 (county, municipal and district obligations);
4. Section 1610 (public improvement bonds);

5. Section 1611 (obligations payable from public utility revenues) limited to issues which, at time of purchase, are rated A or better by Standard and Poor's Bond Guide or Moody's Bond Record;

6. Section 1614 (corporate obligations) limited to issues which, at time of purchase, are rated A or better by Standard and Poor's Bond Guide or Moody's Bond Record; and

7. Section 1620 (deposits, banks, savings and loans); and any other investment specifically approved by the Insurance Commissioner.

SECTION 3. This act shall become effective November 1, 1996.

45-2-2196

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