SCS SB 1235 -- INSURER LIQUIDATION

SPONSOR: Loudon (Luetkemeyer)

COMMITTEE ACTION: Voted "do pass by consent" by the Committee on Financial Services by a vote of 20 to 0.

Current law requires the Director of the Department of Insurance to disallow as an asset or deduction from liability any credit for reinsurance unless the reinsurance is payable to the ceding company and to its receiver if the ceding company is impaired or insolvent. This substitute removes the requirement that the ceding company be impaired.

The substitute prohibits any setoff when the obligations between the person and the insurer arise from reinsurance relationships resulting in business where either the person or the insurer has assumed risks and obligations from the other party and has ceded back substantially the same risks and obligations.

The substitute removes the December 31, 2005, sunset clause on two provisions of Section 375.1220, RSMo, which allow an estimation of contingent liabilities to be used to correct creditors' claims during the liquidation process. Expert testimony concerning estimates of incurred but not reported losses may be received into evidence if otherwise admissible in any tribunal proceeding by the receiver or the reinsurer.

FISCAL NOTE: No impact on state funds in FY 2005, FY 2006, and FY 2007.

PROPONENTS: Supporters say that the bill makes technical corrections to the liquidation process and the Department of Insurance’s accounting methods regarding reinsurance. The bill will make Missouri consistent with a majority of the states.

Testifying for the bill were Senator Loudon; and Reinsurance Association of America.

OPPONENTS: There was no opposition voiced to the committee.

Richard Smreker, Senior Legislative Analyst