SCS SB 1235 -- INSURER LIQUIDATION

This bill changes the laws regarding the liquidation of insurance companies. The bill:

(1) Changes the requirements for receiving a credit for reinsurance in insolvency cases. Current law requires the Director of the Department of Insurance to disallow as an asset or a deduction from liability any credit for reinsurance unless the reinsurance is payable to the ceding company or its receiver if the ceding company is impaired or insolvent. The bill removes the requirement that the ceding company be impaired or insolvent before the credit for reinsurance can be taken by the receiver;

(2) Prohibits a setoff when the obligations between a 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;

(3) Removes the December 31, 2005, sunset clause on two provisions which allow an estimation of contingent liabilities to be used to correct creditors' claims during the liquidation process; and

(4) Allows expert testimony concerning estimates of incurred but not reported losses to be received into evidence if otherwise admissible in any tribunal proceeding.