

HCS SB 29 -- INSURANCE PRODUCTS

SPONSOR: Crawford (Gregory (51))

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Insurance by a vote of 9 to 0. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 9 to 0.

The following is a summary of the House Committee Substitute for SB 29.

CERTIFICATES OF SELF-INSURANCE (Section 303.220, RSMo)

This bill allows any religious denomination that discourages its members from purchasing insurance as being contrary to its religious tenets, but has more than 25 members with motor vehicles, to qualify as a self-insurer by obtaining a self-insurance certificate issued by the Director of the Department of Revenue.

Currently, a religious denomination can only qualify if it prohibits its members from purchasing insurance of any form.

This provision contains an emergency clause.

This provision is the same as HB 1851 (2020) and the same as HB 604 (2021).

PETROLEUM STORAGE TANK INSURANCE FUND (Sections 319.129 and 319.131)

Currently, the Petroleum Storage Tank Insurance Fund assumes costs of 3rd-party claims and cleanup of contamination caused by releases from petroleum storage tanks and pays legal defense costs for eligible 3rd-party claims. This bill specifies that the legal defense costs are separate from other coverage limits and allows the Fund to set a limit for such coverage.

These provisions also extends the expiration date from December 31, 2025 to December 31, 2030.

These provisions are similar to SB 310 (2021).

HB 1156 -- LICENSING INSURANCE PRODUCERS (Sections 375.018 and 384.043)

This bill requires insurance producer licenses to be renewed on the producers birth date instead of the anniversary date of issuance of

such license.

CREDIT FOR REINSURANCE (Section 375.246)

This bill enacts provisions relating to credit for reinsurance as an asset or reduction from liability of an insurer.

The bill authorizes the Director of the Department of Commerce and Insurance to promulgate certain rules, as specified in the bill, to establish requirements relating to or setting forth the valuation of assets or reserve credits, the amount and forms of security supporting reinsurance agreements described in the bill, or the circumstances under which credit will be reduced or eliminated.

Credit for reinsurance is allowed when the reinsurance is ceded to an assuming insurer meeting certain conditions. This bill also requires the Director to create and publish a list of reciprocal jurisdictions.

The Director shall create and publish a list of assuming insurers that have satisfied the conditions set forth in this bill and to which cessions shall be granted credit as specified in the bill.

If the Director determines an assuming insurer no longer meets one or more requirements for recognition as specified in the bill, the Director may revoke or suspend the insurer's eligibility for recognition in accordance with the bill. While an assuming insurer's eligibility is suspended, no reinsurance agreement issued, amended, or renewed after the date of suspension shall qualify for credit, except to the extent that the assuming insurer's obligations are secured as provided by law. If an assuming insurer's eligibility is revoked, no credit for reinsurance may be granted after the effective date of revocation with respect to any reinsurance agreement entered into by the insurer, before or after the revocation, except to the extent the insurer's obligations are secured as provided by law.

If subject to a legal process of rehabilitation, liquidation, or conservation, as applicable, the ceding insurer or its representative may seek a court order requiring that the assuming insurer post security for all outstanding liabilities.

Nothing in this bill shall limit or in any way alter the capacity of parties to a reinsurance agreement to agree on requirements for security or other terms in that reinsurance agreement, except as expressly prohibited by law.

Credit may be taken as specified in the bill only for reinsurance agreements entered into, amended, or renewed on or after January 1,

2022, and only with respect to losses incurred and reserves reported on or after the later of: the date on which the assuming insurer has met applicable eligibility requirements, or the effective date of the new reinsurance agreement, amendment, or renewal.

Nothing in this bill shall alter or impair a ceding insurer's right to take credit for reinsurance under the bill as long as the reinsurance qualifies for credit under another applicable provision of law.

Nothing in this bill shall limit or in any way alter the capacity of parties to any reinsurance agreement to renegotiate the agreement.

The bill authorizes the Director to adopt rules and regulations applicable to reinsurance agreements relating to certain life insurance policies, variable annuities with guaranteed benefits, long-term care insurance policies, and such other life and health insurance and annuity products as to which the NAIC adopts model rules with respect to credit for reinsurance.

A rule adopted under these provisions regarding life insurance policies may apply to any treaty containing policies issued on or after January 1, 2015, or policies issued prior to January 1, 2015, if risk pertaining to such pre-2015 policies is ceded in connection with a treaty on or after January 1, 2015. A rule adopted under these provisions may require the ceding insurer, in calculating the amounts or forms of security required to be held, to use the NAIC valuation manual to the extent applicable.

Regulations adopted under this authority shall not apply to cessions to an assuming insurer that:

(1) Meets the conditions set forth in this bill or, if this state has not fully implemented the provisions of this bill, is operating in at least five states that have implemented the provisions of this bill; or

(2) Is certified in this state; or maintains at least \$250 million in capital and surplus as specified in the bill and is licensed in at least 26 states, or is licensed in at least 10 states and licensed or accredited in at least 35 states.

This bill is the same as HB 1619 (2020) and HB 239 (2021).

LIFE INSURANCE FUNDING AGREEMENTS (Section 376.2080)

This bill defines a "funding agreement" as an agreement for an

insurer to accept and accumulate funds and to make one or more payments at future dates in amounts not based on mortality or morbidity contingencies of the person to whom the funding agreement is issued and allows a life insurance company to issue such agreements. A funding agreement shall not be deemed to constitute a security and the issuance of a funding agreement shall be deemed to be doing insurance business.

This bill is the similar to HB 1618 (2020) and the same as HCS HB 240 (2021).

GROUP PERSONAL LINES PROPERTY AND CASUALTY INSURANCE (Sections 379.1800 to 379.1816)

This bill sets forth the requirements for group personal lines property and casualty insurance master policies. All eligible employees of an employer and members of a labor union or similar employee organization shall be eligible to participate unless such person rejects the coverage in writing. The master policy will be issued to the policyholder and all covered employees or members will receive a certificate of coverage setting forth a statement as to the insurance protection to which they are entitled. No master policy or certificate of insurance shall be issued or delivered in this state unless the rating plan and amendments thereto used in the determination of the master policy premium meet the applicable filing requirements in this state and the rates shall not be unfairly discriminatory if adjusted to reflect past and prospective loss experience or group expense factors.

The bill addresses policy coverage requirements, group rating requirements, the duties and limitations of insurers, solicitation, negotiation, conversion, and regulatory jurisdiction.

These provisions shall not apply to the mass marketing or any other type of marketing of individual personal lines property and casualty insurance policies, to policies of credit property or credit casualty insurance or to policies of personal automobile insurance or personal motor vehicle liability insurance.

This bill has an effective date of January 1, 2022 and any master policy that is currently in effect on that date has 12 months to comply with these provisions.

This bill is the same as HCS HB 629 (2021).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that the bill will allow religious organizations that discourages members from getting vehicle insurance to be allowed to qualify as self-insurer and be able to get a self-insurance certificate.

Testifying for the bill was Senator Crawford.

OPPONENTS: There was no opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony can be found under Testimony on the bill page on the House website.