SENATE FILE 1147

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Senate File 1147
Commerce—
Glenn, Chairman
Rabedeaux
Briles

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the accreditation of reinsurance companies.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
3 Section 1. Section five hundred fifteen point forty-nine
4 (515.49), subsection seven (7), Code 1973, is amended by
5 striking the subsection and inserting in lieu thereof the
6 following:
7 7. Any foreign or domestic mutual insurance company,
8 when found upon examination by the commissioner of insurance
9 to possess surplus and other funds available for the payment
10 of liabilities equal to the capital stock as by law required
11 of like stock insurance companies may transact the same kinds
12 of insurance permitted to like stock insurance companies.
13 However, the charter or articles of incorporation of any such
14 company must authorize the writing of such additional in-
15 surance.
16 A company shall not expose itself to loss on any one risk
17 or hazard to an amount exceeding ten percent of its surplus
18 to policyholders:
19 a. Unless the excess shall be reinsured in some other
20 good and reliable company licensed to do an insurance busi-
21 ness in this state, but in no case shall such excess rein-
22 surance exceed ten percent of the capital of the reinsuring
23 company, and a certificate of such reinsurance shall be
24 furnished to the insured; or
25 b. Unless the excess shall be reinsured by a group of

individual unincorporated insurers who are authorized to transact an insurance business in at least one state of the United States and who possess assets which are held in trust for the benefit of the American policyholders in the sum of not less than fifty million dollars, and a certificate of such reinsurance shall be furnished to the insured.

The restrictions as to the amount of risk a company may assume shall not be applicable to a company that receives on deposit and guarantees the safekeeping of books, papers, and moneys and other personal property. A licensed company shall not take credit, as an asset or deduction from loss and unearned premium reserves on any risks ceded to any unlicensed reinsurer for an amount in excess of:

(1) The amount of deposits by and funds withheld from such reinsurers as security for payment of obligations under the reinsurance contract, or

(2) The amount of a clear, irrevocable letter of credit issued by an approved bank under arrangements satisfactory to the commissioner of insurance as constituting security to the ceding insurer substantially equal to that of a deposit as required by this section.

EXPLANATION

This bill provides that an Iowa insurance company can take credit for reinsurance recoverable from an unlicensed reinsurer only where the amounts in question are secured by funds held on deposit by the Iowa company or covered by irrevocable letters of credit issued by an approved bank.