

Introducer's Statement of Intent

LB298

Chairperson: Senator Jim Scheer

Committee: Banking, Commerce and Insurance

Date of Hearing: February 03, 2015

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

Legislative Bill 298 is a bill introduced on behalf of the Nebraska Department of Insurance to update statutes related to credit for reinsurance. The bill would update Nebraska law to reflect the latest changes to the Credit for Reinsurance Model Law adopted by the National Association of Insurance Commissioners (NAIC). The NAIC is the United States standard-setting and regulatory support organization created and governed by the chief insurance regulators from the fifty states, the District of Columbia and five United States territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the United States.

Credit for reinsurance is a statutory accounting practice that allows insurers to add to their assets or reduce from their liabilities the amount of reinsurance due to the insurer from reinsurers. Under the accepted statutory accounting practice, the amount allowed to be indicated on a balance sheet is contingent on a number of factors related to both the amount of reinsurance and the status of the reinsurer.

LB 298 proposes to make two significant changes to the credit for reinsurance statutory scheme. First, it will allow for a new allowable credit for reinsurance category when an assuming insurer is certified as a reinsurer in Nebraska by the Director of Insurance after meeting several requirements including being domiciled in a qualified jurisdiction, maintaining minimum capital and surplus, maintaining acceptable financial ratings from two or more rating agencies, agreeing to be subject to Nebraska jurisdiction, and agreeing to applicable information filing requirements. Second, the legislation requires a ceding insurer to take steps to diversify its reinsurance so that its concentration of risk in one reinsurer is not too high.

Principal Introducer: _____

Senator Paul Schumacher