

REFERENCE TITLE: insurance; authorized reinsurance

State of Arizona
House of Representatives
Forty-eighth Legislature
Second Regular Session
2008

HB 2513

Introduced by
Representative Konopnicki

AN ACT

AMENDING SECTION 20-261, ARIZONA REVISED STATUTES; RELATING TO REINSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-261, Arizona Revised Statutes, is amended to
3 read:

4 20-261. Authorized reinsurance

5 A. An insurer shall reinsure its risks, or any part of its risks
6 **INCLUDING ANY PORTION OF A LIABILITY ARISING FROM ONE OR MORE INSURANCE**
7 **POLICIES**, only in solvent insurers having surplus to policyholders not less
8 in amount than the minimum required capital stock required under this title
9 of a domestic stock insurer, other than a limited stock insurer or a domestic
10 life and disability reinsurer, authorized to transact like kinds of
11 insurance. A domestic limited stock life insurer or domestic life and
12 disability reinsurer may accept reinsurance of the risks of other limited
13 stock insurers or domestic life and disability reinsurers.

14 B. An insurer may reinsure in alien insurers if the alien insurers are
15 authorized to transact insurance in at least one state of the United States
16 or have in the United States a duly authorized attorney-in-fact to accept
17 service of legal process against the insurer as to any liability that might
18 arise on account of such reinsurance.

19 C. A credit shall not be allowed, as an admitted asset or as a
20 deduction from liability, to any ceding insurer for reinsurance unless the
21 reinsurance is payable by the reinsurer on the basis of the liability of the
22 ceding insurer under the contracts reinsured without diminution because of
23 the insolvency of the ceding insurer nor unless under the reinsurance
24 contract the reinsurer assumes the liability for the reinsurance as of the
25 same effective date. The reinsurer shall make payment directly to the ceding
26 insurer or to its statutory successor by whatever name called for the purpose
27 of liquidating or rehabilitating the business of the insurer unless either
28 the reinsurance contract or the policies reinsured required the reinsurer to
29 make payment to the payees under the policies reinsured in the event the
30 ceding insurer becomes insolvent, or the reinsurer with the consent of the
31 direct insured assumes the policy obligations of the ceding insurer to the
32 payees under the policies reinsured in substitution for the obligations of
33 the ceding insurer to those payees.

34 D. A domestic insurer shall not be a party to any agreement of
35 reinsurance with an unauthorized insurer until the agreement is filed with
36 and approved in writing by the director. The director shall approve the
37 agreement within a reasonable time after filing unless in the director's
38 opinion the effect of the agreement would be to reduce protection or service
39 substantially either to policyholders resident of this state or to
40 policyholders anywhere of the domestic insurer. If the director does not
41 approve the agreement, the director shall notify the domestic insurer in
42 writing specifying the reasons for not approving the agreement.

43 E. This section does not apply to insurance of ocean marine risks or
44 marine protection and indemnity risks.

1 F. Unless the director requires the assuming insurer to file
2 assumption reinsurance contracts, assumption reinsurance contracts are exempt
3 from the filing requirements prescribed in subsection D if the assuming
4 insurer has a surplus as to policyholders of at least fifty million dollars
5 as shown in the most recent financial statement that is filed by the insurer
6 with the department.