

## No. 139

## AN ACT

## HB 656

Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An act relating to insurance; amending, revising, and consolidating the law providing for the incorporation of insurance companies, and the regulation, supervision, and protection of home and foreign insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and fire insurance rating bureaus, and the regulation and supervision of insurance carried by such companies, associations, and exchanges, including insurance carried by the State Workmen's Insurance Fund; providing penalties; and repealing existing laws," further regulating reinsurance.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 319, act of May 17, 1921 (P.L.682, No.284), known as "The Insurance Company Law of 1921," is amended to read:

Section 319. Reinsurance Regulated.—(a) No stock or mutual insurance company, association, or exchange, organized under the laws of this Commonwealth, shall reinsure its entire schedule of policies except by approval of the Insurance Commissioner.

(b) Any domestic or foreign stock or mutual insurance company, association, or exchange, authorized to transact business in this Commonwealth, may reinsure all or any part of its liability under one or more of its policy contracts with any stock or mutual insurance company, association, or exchange, doing the same or a similar kind of business, **[authorized] licensed** to transact business in this Commonwealth or **[authorized] licensed** to transact business in any of the United States, if such company, association, or exchange is and remains of the same standard of solvency and ***meets and continues to meet all*** other requirements fixed by the laws of this Commonwealth for companies, associations, or exchanges transacting the same classes of business within this Commonwealth. Any domestic or foreign stock or mutual insurance company, association, or exchange, authorized to transact business in this Commonwealth, shall pay to this Commonwealth taxes required on all business taxable within this Commonwealth and reinsured, as provided in this section, **[with any foreign company, association, or exchange not authorized to transact business in this Commonwealth.] and may take credit for the reserves of each ceded risk to the extent reinsured subject to the exceptions provided in sections 319.1 through 319.2 inclusive.**

Section 2. The act is amended by adding sections to read:

***Section 319.1. Reinsurance Credits.—Unless an unlicensed reinsurer is qualified to accept reinsurance from insurers licensed in this Commonwealth, no credit shall be allowed as an admitted asset or as a***

*reduction of liability relative to risks ceded by such licensed insurers. Qualified reinsurers are those meeting the conditions for reinsurers specified by the commissioner, in his discretion, and included on a list of qualified reinsurers published and periodically reviewed by said commissioner.*

*(a) Reserve Credit for Liability Assumed.—No credit shall be allowed as an admitted asset or as a deduction from liability, to any ceding company for reinsurance unless the reinsurance is payable to such company or its statutory liquidator by the assuming company on the basis of the liability of the ceding company under contract or contracts reinsured without diminution because of insolvency of the ceding company.*

*(b) Payment by the Assuming Company.—No such credit shall be allowed for reinsurance unless the reinsurance agreement provides that payment by the company shall be made directly to the ceding company or to its liquidator, receiver, or statutory successor.*

*Section 319.2. Exemption for Reinsurance Among Certain Affiliates.—(a) As used in this section the terms “affiliated” and “affiliate” shall have the same meaning as set forth in section 337.7, providing however, that control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with power to vote, or holds shares representing eighty per centum (80%) or more of the voting power of any other person.*

*(b) Nothing contained in sections 319 or 319.1 shall apply to reinsurance agreements between or among affiliates covering all or substantially all of one or more lines of insurance of an affiliated domestic or foreign stock or mutual insurance company, association or exchange, provided that the amount of net written premium retained and the amount of the reinsurance and retrocession assumed by any affiliate participating agreement shall not be unreasonably large in relationship to its policyholders’ surplus.*

Section 3. This act shall take effect immediately.

APPROVED—The 3rd day of December, A. D. 1975.

MILTON J. SHAPP