

SENATE BILL NO. 205

BY SENATOR MORRISH

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AN ACT

To amend and reenact R.S. 22:550.3(B), 550.10, 550.12(A), 550.13(B)(4), and 550.16(C), relative to captive insurers; to reduce the unimpaired paid-in capital requirements for captive insurers; to clarify requirements and prohibitions for captive insurers; to provide technical changes; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 22:550.3(B), 550.10, 550.12(A), 550.13(B)(4), and 550.16(C) are hereby amended and reenacted to read as follows:

§550.3. Applicability of other provisions

* * *

B. The provisions of R.S. ~~22:71~~ and 72 regarding conversions apply to captive insurers licensed pursuant to this Chapter.

* * *

§550.10. Capital and surplus requirements

A. A **pure** captive insurer shall maintain at all times, in addition to any other capital or surplus required to be maintained pursuant to Subsection ~~C~~ **D** of this Section, unimpaired paid-in capital and surplus of not less than ~~one million~~ **five hundred thousand** dollars.

B. An association captive insurer shall maintain at all times, in addition to any other capital or surplus required to be maintained pursuant to Subsection D of this Section, unimpaired paid-in capital and surplus of not less than one million dollars.

~~B-C.~~ Except as otherwise provided by the commissioner pursuant to Subsection ~~B-D~~ **D** of this Section, the capital required to be maintained pursuant to this Section must be in the form of cash, cash equivalents, or bonds or evidences of indebtedness which are direct general obligations of the government of the United States.

1 €: D. The commissioner may prescribe additional requirements relating to
2 capital and surplus based on the type, volume and nature of the insurance business
3 that is transacted by the captive insurer.

4 * * *

5 §550.12. Suspension or revocation of certificate of authority; hearings

6 A. The commissioner may refuse, suspend or revoke the certificate of
7 authority of a captive insurer if, after an examination and hearing, the commissioner
8 determines that the captive insurer satisfies any one of the following items:

9 (1) Is insolvent or has impaired its required capital or surplus.

10 (2) Is in such condition that its further transaction of business in this state
11 would be hazardous to the policyholders, creditors, or the public.

12 (3) Has failed to meet a requirement of R.S. ~~22:2420~~ **550.10**.

13 (4) Has refused or failed to submit an annual report, as required by R.S.
14 ~~22:2431~~ **550.21**, or any other report or statement required by law or by order of the
15 commissioner.

16 (5) Has failed to comply with the provisions of its charter or bylaws.

17 (6) Has failed to submit to an examination, or has refused or failed to pay the
18 cost of an examination required pursuant to R.S. ~~22:2432~~ **550.22**.

19 (7) Has used any method in transacting the business of insurance pursuant
20 to this Chapter which is detrimental to the operation of the captive insurer or would
21 make its condition unsound with respect to its policyholders or the general public.

22 (8) Has failed otherwise to comply with the laws of this state.

23 (9) The suspension or revocation of the certificate of authority of the captive
24 insurer is in the best interest of its policyholders or the general public.

25 * * *

26 §550.13. Authorized and prohibited types of insurance

27 * * *

28 B. A captive insurer licensed pursuant to this Chapter shall comply with the
29 following:

30 * * *

1 (4) The insurer shall not accept or cede reinsurance, except as otherwise
2 provided in R.S. 22:~~2427~~550.17.

3 * * *

4 §550.16. Investments; loan to parent or affiliated company in certain circumstances

5 * * *

6 C. A pure captive insurer may make a loan to its parent or affiliated company
7 if the loan **meets each of the following requirements:**

8 (1) ~~Is~~ **The loan is** first approved in writing by the commissioner;

9 (2) ~~Is~~ **The loan is** evidenced by a note that is in a form ~~that is~~ approved by
10 the commissioner; ~~and,~~

11 (3) ~~Does~~ **The loan does** not include any money that has been set aside as
12 capital or surplus as required by R.S. 22:~~2420~~ 550.10.

PRESIDENT OF THE SENATE

SPEAKER OF THE HOUSE OF REPRESENTATIVES

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____