

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 1146*
Second Edition Engrossed 6/19/96

Short Title: Repeal Reinsurance Restrictions.

(Public)

Sponsors: Senators Soles and Conder.

Referred to: Pensions and Retirement/Insurance/State Personnel.

May 15, 1996

A BILL TO BE ENTITLED

1 AN ACT TO REPEAL THE LAW PROHIBITING LICENSED REINSURERS FROM
2 ASSUMING REINSURANCE FROM NONADMITTED INSURERS AS
3 RECOMMENDED BY THE LEGISLATIVE RESEARCH COMMISSION'S
4 COMMITTEE ON INSURANCE AND INSURANCE-RELATED ISSUES AND TO
5 MAKE CLARIFYING AMENDMENTS IN THE 1995 ASSUMPTION
6 REINSURANCE LAW.
7

8 The General Assembly of North Carolina enacts:

9 Section 1. G.S. 58-43-20 is repealed.

10 Sec. 2. G.S. 58-10-25 reads as rewritten:

11 **"§ 58-10-25. Definitions.**

12 As used in this Part:

13 (1) Assuming insurer. – The insurer that acquires an insurance obligation or
14 risk from the transferring insurer under an assumption reinsurance
15 agreement.

16 (2) Assumption reinsurance agreement. – Any ~~contract~~contract,
17 arrangement, or plan that:

18 a. Transfers insurance obligations or risks of existing or in-force
19 policies from a transferring insurer to an assuming insurer.

1 b. Is intended to effect a novation of ~~the transferred policy~~ policies
2 with the result that the assuming insurer becomes directly liable
3 to the policyholders of the transferring insurer and the
4 transferring insurer's insurance obligations or risks under the
5 ~~contracts~~ policies are extinguished.

6 (3) Home service business. – Insurance business on which premiums are
7 collected on a weekly or monthly basis by an agent of the insurer.

8 (4) Policy. – A contract of insurance as defined in G.S. 58-1-10.

9 (5) Policyholder. – Any person that has the right to terminate or otherwise
10 alter the terms of a policy. It includes any group policy certificate holder
11 whose certificate is in force on the proposed effective date of the
12 assumption, if the certificate holder has the right to keep the certificate
13 in force without any change in benefits after termination of the group
14 policy. The right to keep the certificate in force referred to in this
15 subdivision does not include the right to elect individual coverage under
16 the Consolidated Omnibus Budget Reconciliation Act ('COBRA'),
17 section 601, et seq., of the Employee Retirement Income Security Act of
18 1974, as amended, 29 U.S.C. § 1161, et seq.

19 (6) Transferring insurer. – The insurer that transfers an insurance obligation
20 or risk to an assuming insurer under an assumption reinsurance
21 agreement.

22 (b) For the purposes of this Part, a 'novation' does not require the formation of a
23 new policy or the amendment of an existing policy between the assuming insurer and the
24 policyholder."

25 Sec. 3. This act is effective upon ratification."