

CHAPTER 564

S.B. No. 1054

AN ACT

relating to accounting for and reporting certain reinsurance agreements.

*Be it enacted by the Legislature of the State of Texas:*

SECTION 1. Article 3.10, Insurance Code, is amended to read as follows:

Art. 3.10. MAY REINSURE. (a) Any domestic company may reinsure in any solvent assuming insurer, any risk or part of a risk which it may assume; provided, however, no credit for the reserve liability on such reinsurance may be taken by the ceding insurer unless the assuming insurer is licensed to do business in this state, or such reinsurance and the ceding insurer and assuming insurer comply with the provisions of Article 3.10A of this code, and, provided further, no company operating under Section 2(a) of Article 3.02 shall reinsure any risk or part of a risk with any insurer which is not licensed to do business in this state. No such domestic company shall have the power to reinsure its entire outstanding business unless the assuming insurer is licensed in this state and until the contract therefor shall be submitted to the Commissioner of Insurance of Texas and approved by him as protecting fully the interests of all policy holders.

*(b) An insurer shall account for reinsurance agreements and shall record those reinsurance agreements in the insurer's financial statement in a manner that accurately reflects the effect of the reinsurance agreements on the financial condition of the company. The State Board of Insurance may adopt reasonable rules relating to the accounting and financial statement requirements of this section and the treatment of reinsurance agreements between insurance companies, including asset debits or credits, reinsurance debits or credits, and reserve debits or credits relating to the transfer of risks or liabilities by reinsurance agreements and any contingencies arising from reinsurance agreements.*

SECTION 2. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the Senate on April 23, 1987, by the following vote: Yeas 31, Nays 0. Passed the House on May 30, 1987, by a non-record vote.

Approved June 18, 1987.

Effective Aug. 31, 1987, 90 days after date of adjournment.