

Date of Hearing: May 7, 2020

ASSEMBLY COMMITTEE ON INSURANCE

Tom Daly, Chair

AB 2049 (Cooley) – As Amended March 2, 2020

**SUBJECT:** Reinsurance credit

**SUMMARY:** Adopts model law adopted by the National Association of Insurance Commissioners (NAIC) governing reinsurance transactions. Specifically, **this bill:**

- 1) Requires a reinsurer to provide the Insurance Commissioner with audited financial statements in English.
- 2) Requires that the credit be provided for reinsurance ceded to a reinsurer that meets extensive requirements.
- 3) Requires the Insurance Commissioner (commissioner) to create and publish a list of reinsurers that satisfy the requirements referenced above.

**EXISTING LAW:**

- 1) Provides for the election of a commissioner to oversee the Department of Insurance and implement the Insurance Code.
- 2) Establishes a comprehensive system of financial regulation for insurers.
- 3) Permits an insurer to engage in reinsurance transactions to satisfy some portion of the insurer's statutory financial requirements.

**FISCAL EFFECT:** Undetermined

**COMMENTS:**

- 1) **Purpose.** This bill implements recent revisions to the NAIC Model Law (Model Law) governing reinsurance transactions. California law needs to be updated to reflect these changes. If California does not align its law with the Model Law, its NAIC accreditation is at risk, and federal pre-emption of California's insurance laws becomes an issue.
- 2) **NAIC.** The NAIC is a national standard setting body composed insurance commissioners from each American state and territory. The NAIC provides policy and support to the insurance regulators in each state. While the NAIC provides model law proposals on a wide range of insurance issues, there is a set of core insurance model laws that states must conform to in order to obtain and maintain "accreditation." Accreditation is central to effectively coordinate the financial regulation of insurers whose operations typically span multiple states and nations.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

American Property Casualty Insurance Association (APCIA)  
Insurance Commissioner Ricardo Lara  
Lloyd's of London ("Lloyds")  
Reinsurance Association of America ("RAA")

**Opposition**

None received

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