

Date of Hearing: June 2, 2020

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

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

Policy Committee: Insurance

Vote: 14 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill incorporates into state law 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) Allows reinsurance agreements to be counted as “credits” (assets or reductions in liability) on the balance sheet of an insurer, as long as the reinsurer meets specified requirements.
- 3) Requires the Insurance Commissioner to create and publish a list of reinsurers that satisfy the specified requirements.

FISCAL EFFECT:

The California Department of Insurance anticipates minor costs associated with the review of the certified reinsurer applications (Insurance Fund).

COMMENTS:

- 1) **Purpose.** This bill implements recent revisions to the NAIC Model Law governing reinsurance transactions. California must update its law to reflect these changes to stay in accordance with NAIC accreditation.
- 2) **Background.** The NAIC is a national standard-setting body comprised of 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, which allows effective regulatory coordination across states. Such model law is generally incorporated on a routine basis in each state. This bill addresses model law related to reinsurance, which is insurance purchased by an insurer to mitigate its own risk of catastrophic losses.

Analysis Prepared by: Lisa Murawski / APPR. / (916) 319-2081