

## Legislative Update

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**R**ecent federal and state legislative activity includes proposals and enactments of bills relating to captive insurance, catastrophe risk, and other reinsurance matters.

**Captive Insurance: South Carolina** (SB 323) has made changes relating to incorporation, licensing, capitalization, and other requirements for captive insurance. **Vermont** (SB 42) revised its captive provisions to include a \$7,500 tax credit for new captive formations and to increase state funding for captive regulation. **Missouri** House Bill 577 modifies various provisions of its captive insurance laws.

**Federal Catastrophe Risk: The Homeowners' Defense Act of 2009** (H.R. 2555) proposes to provide federal support for state-sponsored insurance programs and to establish the Federal Natural Catastrophe Reinsurance Fund and the National Catastrophe Risk Consortium, whose functions include gathering and maintaining an inventory of catastrophe risk obligations held by state reinsurance funds and issuing securities and other financial instruments linked to the catastrophe risks.

**State Catastrophe Risk: Texas** (HB 4409) has provided for reform and funding of the Texas Windstorm Insurance Association. **New York** introduced SB 4188 to establish a state catastrophe fund and an advisory council specifically charged with developing disaster prevention and mitigation standards, as well as a consumer education program. **Louisiana** introduced SB 295 to create the Louisiana State Catastrophe Fund and provide for a program of reinsurance using monies in the fund.

**Federal Reinsurance: The Nonadmitted and Reinsurance Reform Act of 2009** (H.R. 2571) proposes to streamline the regulation of nonadmitted insurance and reinsurance. The principal provisions of the Act: (1) regulate premium taxes for nonadmitted insurance; (2) provide that the placement of nonadmitted insurance shall be subject to regulation solely by the insured's home state; (3) limit the ability of a state to establish eligibility requirements for U.S.-domiciled nonadmitted insurers that vary from the Non-Admitted Insurance Model Act; (4) require a GAO study of the nonadmitted insurance market; (5) regulate the extent to which a state may not recognize credit for reinsurance for an insurer's ceded risk; (6) partially pre-empt the extraterritorial application of the law of a state to a ceding insurer not domiciled in that state; and (7) provide that in most circumstances a state that is the domicile of a reinsurer shall be solely responsible for regulating its financial solvency. The **Municipal Bond**



*Coast-to-coast reinsurance updates*

**Insurance Enhancement Act of 2009** (H.R. 2589) proposes to establish a program to provide reinsurance for insured losses of qualified municipal bond insurers.

**State Reinsurance: Oregon's** HB 2755 requires the Department of Consumer and Business Services to conduct a study of reinsurance alternatives for individual and small employer group health insurance markets. **Massachusetts** introduced a similar bill (SB 495) to establish a reinsurance program to protect consumers of small group health insurance. **New York** introduced a bill (SB 5994) to permit mortgage guaranty insurers to obtain credit for reinsurance in a manner conforming to the requirements prescribed by the Superintendent of Insurance.