

SENATE MOTION

MADAM PRESIDENT:

I move that Engrossed House Bill 1015 be amended to read as follows:

- 1 Page 1, between the enacting clause and line 1, begin a new
2 paragraph and insert:
3 "SECTION 1. IC 27-1-12.1 IS ADDED TO THE INDIANA CODE
4 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
5 UPON PASSAGE]:
6 **Chapter 12.1. Limited Purpose Subsidiary Life Insurance**
7 **Companies**
8 **Sec. 1. As used in this chapter, "affiliate" means a domestic life**
9 **insurance company that is a wholly owned subsidiary of the parent**
10 **of a limited purpose subsidiary.**
11 **Sec. 2. As used in this chapter, "limited purpose subsidiary"**
12 **means a subsidiary life insurance company that is organized under**
13 **this chapter.**
14 **Sec. 3. As used in this chapter, "organizing domestic life**
15 **insurance company" refers to a life insurance company that**
16 **organizes a limited purpose subsidiary under this chapter.**
17 **Sec. 4. As used in this chapter, "parent" means a person that**
18 **through at least one (1) intermediary wholly owns an organizing**
19 **domestic life insurance company.**
20 **Sec. 5. As used in this chapter, "risk" means a risk:**
21 **(1) that is associated with a life insurance policy that is:**
22 **(A) written by a ceding domestic life insurance company;**
23 **or**
24 **(B) assumed by a ceding domestic life insurance company**
25 **from an affiliate; and**
26 **(2) for which a ceding domestic life insurance company holds**
27 **direct statutory reserves for the policy as required under**
28 **IC 27-1-12-10.5.**
29 **Sec. 6. A domestic life insurance company that is authorized to**
30 **engage in the business of insurance in Indiana may organize a**

1 limited purpose subsidiary under this chapter.

2 Sec. 7. Before assuming risk under a reinsurance contract, a
3 limited purpose subsidiary must do all of the following:

4 (1) Comply with IC 27-1-6.

5 (2) File with the commissioner an affidavit, signed by the
6 limited purpose subsidiary's president, vice president,
7 treasurer, or chief financial officer, including all of the
8 following to the best of the individual's knowledge after
9 reasonable inquiry:

10 (A) That the proposed organization and operation of the
11 limited purpose subsidiary complies with this chapter.

12 (B) That the limited purpose subsidiary's investment policy
13 reflects and considers the liquidity of assets and the
14 reasonable preservation, administration, and management
15 of the assets with respect to the risks associated with
16 reinsurance contracts issued by the limited purpose
17 subsidiary.

18 (C) That the reinsurance contract and any arrangement
19 intended to secure the limited purpose subsidiary's
20 obligations under the reinsurance contract (including an
21 agreement to implement the arrangement) comply with
22 this chapter.

23 (3) File with the commissioner the opinion of a qualified
24 actuary that the methodology and assumptions (including
25 significant stress tests of key assumptions) used to establish
26 reserves held by the limited purpose subsidiary are sufficient
27 to provide for the risk assumed by the limited purpose
28 subsidiary.

29 (4) File with the commissioner the limited purpose
30 subsidiary's plan of operation, including the following:

31 (A) A statement that the limited purpose subsidiary will,
32 before an offer and sale of securities of or by the limited
33 purpose subsidiary, file with the commissioner, in a form
34 acceptable to the commissioner, a legal opinion that the
35 offering and sale of securities:

36 (i) of the limited purpose subsidiary complies with all
37 federal securities laws; and

38 (ii) by the limited purpose subsidiary complies with all
39 Indiana securities laws.

40 For purposes of this clause, the issuance of stock by the
41 limited purpose subsidiary to the organizing domestic life
42 insurance company is not the offer and sale of securities
43 requiring a legal opinion.

44 (B) A complete description of the material terms of all
45 proposed reinsurance transactions, reinsurance security
46 arrangements, securitizations, and any other material
47 transactions or arrangements of the limited purpose

- 1 subsidiary.
- 2 (C) A description of the source and form of the limited
- 3 purpose subsidiary's capital and surplus.
- 4 (D) The investment policy of the limited purpose
- 5 subsidiary.
- 6 (E) Pro forma balance sheets and income statements that
- 7 illustrate at least one (1) adverse case scenario, as
- 8 determined using criteria required by the commissioner,
- 9 for the performance of the limited purpose subsidiary
- 10 under all reinsurance contracts.
- 11 (F) Policies for payment of dividends and other
- 12 distributions to the organizing domestic life insurance
- 13 company.
- 14 (G) Copies of all contracts between the limited purpose
- 15 subsidiary and affiliates.
- 16 (H) Other documentation or information required by the
- 17 commissioner.
- 18 (5) Obtain from the commissioner a certificate of authority to
- 19 engage in the business of reinsurance in Indiana.
- 20 **Sec. 8. (a) The commissioner may issue a certificate of authority**
- 21 **to a limited purpose subsidiary upon a finding by the commissioner**
- 22 **of all the following:**
- 23 (1) That the proposed plan of operation provides for a viable
- 24 operation of the limited purpose subsidiary.
- 25 (2) That the terms of all proposed reinsurance contracts and
- 26 related transactions of the limited purpose subsidiary comply
- 27 with this chapter and any other applicable insurance laws.
- 28 (3) That the proposed plan of operation is not hazardous to
- 29 any ceding insurer.
- 30 (b) The commissioner may, in conjunction with the issuance of
- 31 a certificate of authority to a limited purpose subsidiary, issue an
- 32 order containing any terms or conditions applying to the limited
- 33 purpose subsidiary's authority to engage in the business of
- 34 reinsurance, including terms or conditions concerning the
- 35 organization, licensing, or operation of the limited purpose
- 36 subsidiary, consistent with this chapter and determined necessary
- 37 by the commissioner.
- 38 (c) A limited purpose subsidiary shall produce or disclose its
- 39 plan of operation, amendments, and records, books, documents,
- 40 reports, and other information that the commissioner requires the
- 41 limited purpose subsidiary to produce or disclose under:
- 42 (1) this chapter;
- 43 (2) rules adopted under section 15 of this chapter; or
- 44 (3) an order under IC 27-1-3.1.
- 45 (d) The commissioner has the powers enumerated in IC 27-1-3.1
- 46 with respect to a limited purpose subsidiary.
- 47 **Sec. 9. A limited purpose subsidiary that is granted a certificate**

- 1 of authority by the commissioner under this chapter:
- 2 (1) is authorized to engage in the business of reinsurance for
- 3 purposes of IC 27-6-10 only for the lines of insurance for
- 4 which the:
- 5 (A) organizing domestic life insurance company; and
- 6 (B) affiliates of the organizing domestic life insurance
- 7 company;
- 8 are authorized;
- 9 (2) may reinsure only risks of:
- 10 (A) the organizing domestic life insurance company; and
- 11 (B) affiliates of the organizing domestic life insurance
- 12 company; and
- 13 (3) may access alternative forms of financing.
- 14 **Sec. 10. An organizing domestic life insurance company may**
- 15 **invest funds from the organizing domestic life insurance company's**
- 16 **surplus in a limited purpose subsidiary that is organized by the**
- 17 **organizing domestic life insurance company.**
- 18 **Sec. 11. The officers and directors of an organizing domestic life**
- 19 **insurance company may serve as officers and directors of a limited**
- 20 **purpose subsidiary organized by the organizing domestic life**
- 21 **insurance company.**
- 22 **Sec. 12. A limited purpose subsidiary may, upon approval of the**
- 23 **commissioner, purchase reinsurance to cede the reinsurance risks**
- 24 **assumed by the limited purpose subsidiary.**
- 25 **Sec. 13. (a) If approved by the commissioner, the following are**
- 26 **considered to be and must be reported as admitted assets of a**
- 27 **limited purpose subsidiary:**
- 28 (1) Proceeds from a securitization, premiums, and other
- 29 amounts payable by an affiliate to the limited purpose
- 30 subsidiary.
- 31 (2) Letters of credit.
- 32 (3) Guarantees of the parent.
- 33 (4) Other assets.
- 34 (b) If the commissioner determines that the value of admitted
- 35 assets that:
- 36 (1) were previously approved by the commissioner under
- 37 subsection (a); and
- 38 (2) are not assets that are addressed by the Accounting
- 39 Practices and Procedures Manual of the National Association
- 40 of Insurance Commissioners;
- 41 has decreased, the commissioner may require the limited purpose
- 42 subsidiary to provide additional security or collateral.
- 43 (c) The commissioner shall, at least thirty (30) days before
- 44 taking action under subsection (b):
- 45 (1) notify the limited purpose subsidiary of the action; and
- 46 (2) provide to the limited purpose subsidiary an opportunity
- 47 to remedy the issues identified by the commissioner.

1 **Sec. 14. (a) A limited purpose subsidiary shall do the following:**

2 **(1) Provide to the commissioner, not later than forty-five (45)**
 3 **days after the closing date of the transactions of an insurance**
 4 **securitization, a copy of a complete set of executed**
 5 **documentation of the insurance securitization.**

6 **(2) Notify the commissioner, not later than two (2) business**
 7 **days after any material change in the financial condition or**
 8 **management of the limited purpose subsidiary, by written**
 9 **notice of the material change.**

10 **(3) Annually file with the commissioner the actuarial opinion**
 11 **of the limited purpose subsidiary's internal actuary**
 12 **concerning reserves held by the limited purpose subsidiary**
 13 **for all risks assumed by the limited purpose subsidiary under**
 14 **the limited purpose subsidiary's reinsurance contracts.**

15 **(4) Biennially file with the commissioner the actuarial opinion**
 16 **of a qualified actuary concerning the methodology and**
 17 **assumptions used by the limited purpose subsidiary in**
 18 **establishing the reserves held by the limited purpose**
 19 **subsidiary.**

20 **(5) Immediately notify the commissioner concerning any**
 21 **action by a ceding insurer or other person to foreclose on or**
 22 **otherwise take possession of collateral provided by the limited**
 23 **purpose subsidiary to secure an obligation of the limited**
 24 **purpose subsidiary.**

25 **(6) Comply with IC 27-1-23 and IC 27-1-36.**

26 **(b) Unless otherwise required by the commissioner, a limited**
 27 **purpose subsidiary is not required to file a report, notice, or other**
 28 **document with the National Association of Insurance**
 29 **Commissioners.**

30 **Sec. 15. (a) The commissioner may adopt rules under IC 4-22-2**
 31 **to implement this chapter.**

32 **(b) The rules adopted under subsection (a) may specify the**
 33 **following concerning limited purpose subsidiaries:**

34 **(1) Requirements for reserves, including actuarial**
 35 **certification.**

36 **(2) Requirements for securities.**

37 **(3) Authorized investments.**

38 **(4) Requirements with respect to reinsurance ceded or**
 39 **assumed by the limited purpose subsidiary.**

40 **(5) Requirements for dividends and distributions.**

41 **(6) Requirements for operations.**

42 **(7) Conditions of, forms for, and approval of the financing of**
 43 **a limited purpose subsidiary.**

44 **(c) The commissioner may adopt emergency rules under**
 45 **IC 4-22-2-37.1 to implement this section if the commissioner**
 46 **determines that:**

47 **(1) the need for a rule is so immediate and substantial that**

1 **rulemaking procedures under IC 4-22-2-23 through**
2 **IC 4-22-2-36 are inadequate to address the need; and**
3 **(2) an emergency rule is likely to address the need."**

4 Page 2, after line 11, begin a new paragraph and insert:
5 **"SECTION 3. An emergency is declared for this act."**
6 Re-number all SECTIONS consecutively.
 (Reference is to EHB 1015 as printed March 25, 2011.)

Senator HOLDMAN