



Sen. William R. Haine

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09700SB2877sam006

LRB097 16448 RPM 67739 a

1 AMENDMENT TO SENATE BILL 2877

2 AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 2877, AS AMENDED,  
3 as follows:

4 in Section 5, Sec. 131.20a, by replacing paragraph (1) (a) with  
5 the following:

6 "(1) (a) The following transactions involving ~~between~~ a  
7 domestic company and any person in its insurance holding  
8 company system, including amendments or modifications of  
9 affiliate agreements previously filed pursuant to this  
10 Section, which are subject to any materiality standards  
11 contained in this Section, may not be entered into unless the  
12 company has notified the Director in writing of its intention  
13 to enter into such transaction at least 30 days prior thereto,  
14 or such shorter period as the Director may permit, and the  
15 Director has not disapproved it within such period. The notice  
16 for amendments or modifications shall include the reasons for  
17 the change and the financial impact on the domestic company.

1 Informal notice shall be reported, within 30 days after a  
2 termination of a previously filed agreement, to the Director  
3 for determination of the type of filing required, if any:

4 (i) Sales, purchases, exchanges of assets, loans or  
5 extensions of credit, guarantees, investments, or any  
6 other transaction, except dividends, ~~(A)~~ that involves the  
7 transfer of assets from or liabilities to a company (A)  
8 equal to or exceeding the lesser of 3% of the company's  
9 admitted assets or 25% of its surplus as regards  
10 policyholders as of the 31st day of December next preceding  
11 or (B) that is proposed when the domestic company is not  
12 eligible to declare and pay a dividend or other  
13 distribution pursuant to the provisions of Section 27.

14 (ii) Loans or extensions of credit to any person that  
15 is not an affiliate (A) that involve the lesser of 3% of  
16 the company's admitted assets or 25% of the company's  
17 surplus, each as of the 31st day of December next  
18 preceding, made with the agreement or understanding that  
19 the proceeds of such transactions, in whole or in  
20 substantial part, are to be used to make loans or  
21 extensions of credit to, to purchase assets of, or to make  
22 investments in, any affiliate of the company making such  
23 loans or extensions of credit or (B) that are proposed when  
24 the domestic company is not eligible to declare and pay a  
25 dividend or other distribution pursuant to the provisions  
26 of Section 27.

1 (iii) Reinsurance agreements or modifications thereto,  
2 including all reinsurance pooling agreements, reinsurance  
3 agreements in which the reinsurance premium or a change in  
4 the company's liabilities, or the projected reinsurance  
5 premium or a change in the company's liabilities in any of  
6 the next 3 years, equals or exceeds 5% of the company's  
7 surplus as regards policyholders, as of the 31st day of  
8 December next preceding, including those agreements that  
9 may require as consideration the transfer of assets from a  
10 company ~~an insurer~~ to a nonaffiliate, if an agreement or  
11 understanding exists between the company ~~insurer~~ and  
12 nonaffiliate that any portion of those assets will be  
13 transferred to one or more affiliates of the company  
14 ~~insurer~~.

15 (iv) All management agreements, service contracts,  
16 other than agency contracts, tax allocation agreements,  
17 all reinsurance allocation agreements related to  
18 reinsurance agreements required to be filed under this  
19 Section, and all cost-sharing arrangements, ~~and any other~~  
20 ~~contracts providing for the rendering of services on a~~  
21 ~~regular systematic basis.~~

22 (v) Direct or indirect acquisitions or investments in a  
23 person that controls the company, or in an affiliate of the  
24 company, in an amount which, together with its present  
25 holdings in such investments, exceeds 2.5% of the company's  
26 surplus as regards policyholders. Direct or indirect

1       acquisitions or investments in subsidiaries acquired  
2       pursuant to Section 131.2 of this Article (or authorized  
3       under any other Section of this Code), or in non-subsiary  
4       insurance affiliates that are subject to the provisions of  
5       this Article, are exempt from this requirement.

6       (vi) Any series of the previously described  
7       transactions that are substantially similar to each other,  
8       that take place within any 180 day period, and that in  
9       total are equal to or exceed the lesser of 3% of the  
10      domestic company's ~~insurer's~~ admitted assets or 25% of its  
11      policyholders surplus, as of the 31st day of the December  
12      next preceding.

13      (vii) ~~(vi)~~ Any other material transaction that the  
14      Director by rule determines might render the company's  
15      surplus as regards policyholders unreasonable in relation  
16      to the company's outstanding liabilities and inadequate to  
17      its financial needs or may otherwise adversely affect the  
18      interests of the company's policyholders or shareholders.

19      Nothing herein contained shall be deemed to authorize or  
20      permit any transactions that, in the case of a company ~~an~~  
21      ~~insurer~~ not a member of the same holding company system, would  
22      be otherwise contrary to law."