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SENATE BILL 769 By
Graves

HOUSE BILL 1384
By Sargent

AN ACT to amend Tennessee Code Annotated, Title 56, relative to reinsurance.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 56-2-207, is amended by deleting subsection (a)(2) in its entirety and substituting instead the following and renumbering subsequent subdivisions accordingly:

(2) No credit shall be allowed, as an admitted asset or as a deduction from liability, to any ceding insurer for reinsurance made, ceded, renewed, or otherwise becoming effective after June 12, 1947, unless the reinsurance contract provides, in substance, that in the event of the insolvency of the ceding insurer, the reinsurance shall be payable under a contract reinsured by the assuming insurer on the basis of reported claims allowed by the liquidation court, without diminution because of the insolvency of the ceding insurer. Such payments shall be made directly to the ceding insurer or to its domiciliary liquidator except:

(A) Where the contract or other written agreement specifically provides another payee of such reinsurance in the event of the insolvency of the ceding insurer; or

(B) Where the assuming insurer, with the consent of the direct insured, has assumed such policy obligations of the ceding insurer as direct obligations of the assuming insurer to the payees under such policies and in substitution for the obligations of the ceding insurer to such payees.

(3) Notwithstanding subdivision (2), in the event that a life and health insurance guaranty association has made the election to succeed to the rights and obligations of the insolvent insurer under the contract of reinsurance, then the reinsurer's liability to pay covered reinsured claims shall continue under the contract of reinsurance, subject to the payment to the reinsurer of the reinsurance premiums for such coverage. Payment for such reinsured claims shall only be made by the reinsurer pursuant to the direction of the guaranty association or its designated successor. Any payment made at the direction of the guaranty association or its designated successor by the reinsurer will discharge the reinsurer of all further liability to any other party for such claim payment.

SECTION 2. This act is to take effect upon becoming a law, the public welfare requiring it.