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BILL ANALYSIS

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Senate Bill 1018 (as introduced 2-1-06)  
Sponsor: Senator Michael D. Bishop  
Committee: Banking and Financial Institutions

Date Completed: 2-9-06

### **CONTENT**

**The bill would amend the Insurance Code to allow a domestic insurer to recognize as an asset in its annual report the value of a book of business that included life insurance or other business written by a life insurance company that the domestic insurer acquired through a business acquisition or a reinsurance transaction.**

The bill specifies that, if a domestic insurer acquired, through a business acquisition or a reinsurance transaction, a book of business that included life insurance or other business written by a life insurance company, and the book of business had a readily determinable market value represented by the present value of the future after-tax profits that would be earned on the book of business in force at the date of the acquisition, the value of the book of business could be recognized as an asset in the annual statement that insurers must file under the Code.

The value of the book of business that a domestic insurer could recognize as an asset could not exceed the sum of all of the following:

- 10% of that "capital and surplus" that was less than 300% of authorized control level risk based capital.
- 25% of that capital and surplus that was equal to or greater than 300%, but less than 400%, of authorized control level risk based capital.
- 50% of that capital and surplus that was equal to or greater than 400%, but less than 500%, of authorized control level risk-based capital.
- 75% of that capital and surplus that was equal to or greater than 500% of authorized control level risk-based capital.

The value of the book of business would have to be amortized to income over the period in which the domestic insurer benefited economically, not to exceed 10 years. The value of the book of business acquired in excess of the amount allowable under the bill could not be an admitted asset in the annual statement.

"Capital and surplus" would mean capital and surplus as of December 31 of the immediately preceding year, adjusted to exclude any net positive goodwill exclusive of any component of the goodwill relating to the existing value of the book of business acquired, electronic data processing equipment, operating system software, and net deferred tax assets.

(The term "book of business" generally refers to the total amount of all insurance accounts written by a company or agent, or the total amount of insurance on an insurer's books at a particular time.)

**FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

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