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INSURANCE CODE - INS

DIVISION 1. GENERAL RULES GOVERNING INSURANCE [100 - 1879.8] (Division 1 enacted by Stats. 1935, Ch. 145.)

PART 2. THE BUSINESS OF INSURANCE [680 - 1879.8] (Part 2 enacted by Stats. 1935, Ch. 145.)

CHAPTER 2. Incorporated Insurers [1140 - 1260] (Chapter 2 enacted by Stats. 1935, Ch. 145.)

ARTICLE 3.5. Disclosure of Material Transactions [1185 - 1187] (Article 3.5 added by Stats. 1994, Ch. 662, Sec. 1.)

1185. (a) Every domestic incorporated insurer shall file a report with the commissioner disclosing material acquisitions and dispositions of assets or material nonrenewals, cancellations, or revisions of ceded reinsurance agreements unless the acquisitions and dispositions of assets or material nonrenewals, cancellations, or revisions of ceded reinsurance agreements have been submitted to the commissioner for review, approval, or information purposes pursuant to other provisions of this code, laws, regulations, or other requirements.

(b) The report shall be filed within 15 days after the end of the calendar month in which any of the foregoing transactions occur.

(c) One complete copy of the report, including any exhibits or other attachments filed as part thereof, shall be filed with the department and the National Association of Insurance Commissioners.

(d) All reports obtained by, or disclosed to the commissioner pursuant to this article, shall be given confidential treatment and shall not be subject to subpoena and shall not be made public by the commissioner, the National Association of Insurance Commissioners, or any other person, except to insurance departments of other states, without the prior written consent of the insurer to which it pertains unless the commissioner, after giving the insurer who would be affected thereby, notice and an opportunity to be heard, determines that the interest of policyholders, shareholders, or the public will be served by the publication thereof, in which event the commissioner may publish all or any part thereof in such manner as he or she may deem appropriate.

(Added by Stats. 1994, Ch. 662, Sec. 1. Effective January 1, 1995.)

1186. (a) No acquisitions or dispositions of assets shall be reported pursuant to Section 1185 if the acquisitions or dispositions are not material. For purposes of this article, a material acquisition (or the aggregate of any series of related acquisitions during any 30-day period) or disposition (or the aggregate of any series of related dispositions during any 30-day period) is one that is nonrecurring and not in the ordinary course of business and involves more than 5 percent of the reporting insurer's total admitted assets as reported in its most recent statutory statement filed with the insurance department of the insurer's state of domicile.

(b) Asset acquisitions subject to this article include every purchase, lease, exchange, merger, consolidation, succession, or other acquisition other than the construction or development of real property by or for the reporting insurer or the acquisition of materials for that purpose. Asset dispositions also include every sale, lease, exchange, merger, consolidation, mortgage, hypothecation, assignment (whether for the benefit of creditors or otherwise), abandonment, destruction, or other disposition.

(c) The following information is required to be disclosed in any report of a material acquisition or disposition of assets:

- (1) Date of the transaction.
- (2) Manner of acquisition or disposition.
- (3) Description of the assets involved.
- (4) Nature and amount of the consideration given or received.
- (5) Purpose of, or reason for, the transaction.
- (6) Manner by which the amount of consideration was determined.

(7) Gain or loss recognized or realized as a result of the transaction.

(8) Name of the person from whom the assets were acquired or to whom they were disposed.

(d) Insurers shall report material acquisitions and dispositions on a nonconsolidated basis unless the insurer is part of a consolidated group of insurers which utilizes a pooling arrangement or 100 percent reinsurance agreement that affects the solvency and integrity of the insurer's reserves and that insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurer has less than one million dollars (\$1,000,000) total direct plus assumed written premiums during a calendar year that are not subject to a pooling arrangement and the net income of the business not subject to the pooling arrangement represents less than 5 percent of the insurer's capital and surplus.

(Added by Stats. 1994, Ch. 662, Sec. 1. Effective January 1, 1995.)

1187. (a) No nonrenewals, cancellations, or revisions of ceded reinsurance agreements shall be reported pursuant to Section 1185 if the nonrenewals, cancellations, or revisions are not material. For purposes of this article, a material nonrenewal, cancellation, or revision is one that affects for property and casualty business, including accident and health business when written as such, more than 50 percent of an insurer's ceded written premium, or for life, annuity, and accident and health business, more than 50 percent of the total reserve credit taken for business ceded, on an annualized basis as indicated in the insurer's most recently filed statutory statement; provided, however, that no filing is required if the insurer's ceded written premium or the total reserve credit taken for business ceded represents, on an annualized basis, less than 10 percent of direct plus assumed written premium or 10 percent of the statutory reserve requirement prior to any cession, respectively.

(b) Subject to the criteria specified in subdivision (a), a report is to be filed without regard to which party has initiated the nonrenewal, cancellation, or revision of ceded reinsurance whenever one or more of the following conditions exist:

(1) The entire cession has been canceled, nonrenewed, or revised and ceded indemnity and loss adjustment expense reserves after any nonrenewal, cancellation, or revision represent less than 50 percent of the comparable reserves that would have been ceded had the nonrenewal, cancellation, or revision not occurred.

(2) An authorized or accredited reinsurer has been replaced on an existing cession by an unauthorized reinsurer.

(3) Collateral requirements previously established for unauthorized reinsurers have been reduced; for example, the requirement to collateralize incurred but not reported (IBNR) claim reserves has been waived with respect to one or more unauthorized reinsurers newly participating in an existing cession.

(4) Subject to the materiality criteria, for purposes of paragraphs (2) and (3), a report shall be filed if the result of the revision affects more than 10 percent of the cession.

(c) The following information is required to be disclosed in any report of a material nonrenewal, cancellation, or revision of ceded reinsurance agreements:

(1) Effective date of the nonrenewal, cancellation, or revision.

(2) The description of the transaction with an identification of the initiator thereof.

(3) Purpose of, or reason for, the transaction.

(4) If applicable, the identity of the replacement reinsurers.

(d) Insurers shall report all material nonrenewals, cancellations, or revisions of ceded reinsurance agreements on a nonconsolidated basis unless the insurer is part of a consolidated group of insurers which utilizes a pooling arrangement or 100 percent reinsurance agreement that affects the solvency and integrity of the insurer's reserves and the insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurer has less than one million dollars (\$1,000,000) total direct plus assumed written premiums during a calendar year that are not subject to a pooling arrangement and the net income of the business not subject to the pooling arrangement represents less than 5 percent of the insurer's capital and surplus.

(Added by Stats. 1994, Ch. 662, Sec. 1. Effective January 1, 1995.)