

2003 SENATE BILL 116

AN ACT *to renumber and amend* 645.58 (1); and *to create* 645.58 (1) (a) and 645.58 (1) (b) of the statutes; **relating to:** reduction in amount recoverable by a liquidator from a reinsurer.

Analysis by the Legislative Reference Bureau

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 645.58 (1) of the statutes is renumbered 645.58 (1) (intro.) and
2 amended to read:

3 645.58 **(1)** LIABILITY. (intro.) The Except as provided in this subsection, the
4 amount recoverable by the liquidator from a reinsurer shall not be reduced as a
5 result of delinquency proceedings, regardless of any provision in the reinsurance
6 contract or other agreement. Payment made directly to an insured or other creditor
7 shall not diminish the reinsurer's obligation to the insurer's estate except when the

SENATE BILL 116**SECTION 1**

1 ~~reinsurance contract provided for direct coverage of an individual named insured~~
2 ~~and the payment was made in discharge of that obligation. any of the following~~
3 ~~applies:~~

4 **SECTION 2.** 645.58 (1) (a) of the statutes is created to read:

5 645.58 (1) (a) The reinsurance contract or other agreement specifically
6 provides for another payee of the reinsurance in the event of delinquency
7 proceedings, payment is made to the other payee, and the payment operates to
8 extinguish the liability of the ceding insurer to the extent of the payment made by
9 the reinsurer.

10 **SECTION 3.** 645.58 (1) (b) of the statutes is created to read:

11 645.58 (1) (b) The reinsurer has assumed policy obligations of the ceding
12 insurer as direct obligations of the reinsurer, payment is made to the payees under
13 the policies, and the assumption operates to extinguish the liability of the ceding
14 insurer to the extent assumed.

15 **SECTION 4. Initial applicability.**

16 (1) This act first applies with respect to reinsurance contracts or other
17 agreements entered into on the effective date of this subsection.

18 (END)