

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. Senate Bill 1031

PRINTER NO. 1449

AMOUNT

No Fiscal Impact

FUND

Insurance Regulation and Oversight Fund

DATE INTRODUCED

January 26, 2018

PRIME SPONSOR

Senator Laughlin

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1031 amends the Insurance Department Act of 1921 ("Act") to require transparency and further establish procedural guidelines for Insurance Department ("department") examinations.

SB 1031 amends the intent section of Article IX (examinations) under the Act to state that the article recognizes the commitment of the department to work with the insurance industry to utilize the most efficient means to conduct examinations, minimize costs, facilitate cooperation and communication between insurers and the department, and increase transparency and efficiencies.

In addition, the bill requires the department to hold a scheduling conference with an insurance company prior to commencing examination field work. The scheduling conference shall include a discussion of the purpose and scope of the exam, the estimated costs for the exam, the types of information the company will be asked to produce, the most efficient means of conducting the exam, and any alternative approaches in conducting the exam.

Senate Bill 1031 requires the department to provide a company with a detailed budget estimate no more than thirty days after the scheduling conference. Within fifteen days of receipt of a budget estimate, the company and the department shall have an additional discussion regarding the most efficient means of conducting the exam and producing information. If necessary, revisions to the budget estimate shall be made. The department and the company may mutually agree to modify the time allotments. If the department determines that the cost will exceed the budget estimate by 10 percent or if there is a material change in staffing assignments, the department shall hold another scheduling conference.

The bill establishes detailed requirements for billing invoices submitted to companies for examination work by contractors and the department.

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Finally Senate Bill 1031 requires the department to produce an annual examination and analysis report within thirty days of the end of each fiscal year. The report shall include the total amount of money billed to companies by the department and its contractors for: financial conduct examinations, market conduct examinations, review of transactions required to be filed by regulated entities with the department, and solvency monitoring. The report shall also include the identity of each contractor retained by the department and the amount of money billed by the contractor to companies, the total amount of deposits into the Insurance Regulation and Oversight Fund as a result of market regulation activities for which regulated entities are responsible to pay, and an analysis of the effectiveness of the procedures under this article and recommendations to further improve the efficiency and transparency of the examination.

This act shall take effect in 60 days.

FISCAL IMPACT:

Senate Bill 1031 will have no adverse fiscal impact to the Commonwealth. Assuming that existing Insurance Department staff and contractors conduct the scheduling conferences and detailed budgets, any costs related to fulfilling those duties would be capable of being accommodated within the agency's current workload and budget.