

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

**BILL NO.** House Bill 1016

**PRINTER'S NO.** 1166

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

April 2, 2019

**PRIME SPONSOR**

Representative DeLuca

### **DESCRIPTION AND PURPOSE OF BILL**

House Bill 1016 amends the Insurance Company Law of 1921 to provide for additional regulatory oversight of fraternal benefit societies.

The bill adds section 2428 (relating to solvency) which provides for a process when an authorized control level event occurs. Specifically, it allows the Insurance Department (Department) to address a failing fraternal benefit society promptly with an authorized risk-based capital control ratio as the trigger point. Upon the Insurance commissioner's order, the domestic society may negotiate an agreement to transfer its members, certificates and other assets and liabilities to another fraternal benefit society or other insurer through merger, consolidation, assumption or other means.

The bill amends section 2434 (d) (relating to payment of deficiencies) by requiring approval by the commissioner prior to assessing members for a deficiency when reserves as to any class of certificates become impaired. Assessments shall not take effect prior to 90 days from notification of the commissioner unless the commissioner approves an earlier effective date. The commissioner has the ability to disapprove an assessment if it is not adopted in conformity with the provisions of this article, is not in the interests of the benefit members, or does not materially improve the long-term viability of the society.

The bill amends section 2456 (a) (relating to notice of deficiencies and sanctions) by adding the following events to the list of deficiencies the commissioner may act upon for correction or injunction:

- When the domestic society has failed to comply with an order of the commissioner under section 2428; and
- When the domestic society has failed to remedy the hazardous condition as determined by the commissioner within the established time frame.

The bill adds section 2456 (g) (relating to liquidation proceedings) to update the liquidation process for domestic societies. The legislation requires liquidation proceedings to be conducted consistent with the purposes of section 501 of the Insurance Department Act and in a manner that conserves assets, limits liquidation expenses, and avoids an assessment.

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## **FISCAL NOTE**

This act shall take effect 60 days.

### **FISCAL IMPACT:**

House Bill 1016 will have no fiscal impact to the Commonwealth.