



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1481

PRINTERS NO. 2160

PRIME SPONSOR: Micozzie

COST / (SAVINGS)

| FUND | FY 2013/14 | FY 2014/15 |
|--------------|------------|------------|
| General Fund | \$0 | \$0 |

SUMMARY: House Bill 1481 amends the Insurance Company Law by adding a new Article concerning risk management and own risk solvency assessments, and a new section concerning electronic delivery of information and posting of policies and endorsements. The new Article would take effect January 1, 2015, and the new section would take effect in 60 days.

ANALYSIS: This legislation requires an insurer or an insurance group doing business in Pennsylvania to maintain a risk management framework (RMF), a planning method used by such entities in their business continuity plans. One element of an RMF is an "own risk and solvency assessment," or ORSA, which is an insurer's self-assessment of its risks and the adequacy of capital resources to support those risks. Under this legislation an insurer or insurance group doing business in Pennsylvania would be required to submit an ORSA summary report to the PA Insurance Department once per calendar year. Certain exemptions to this requirement are provided for in the legislation.

The Department must review the ORSA summary report and make additional requests for information using procedures similar to current procedures for coordinating analysis and examination of multistate or global insurers and insurance groups. The department may retain, at the insurer's expense, third-party consultants, including attorneys, actuaries, accountants and other experts not otherwise a part of the department's staff as may be reasonably necessary to assist the department in reviewing the risk management framework, ORSA, ORSA summary report or the insurer's compliance with this legislation. These consultants would be under the direction and control of the department, and act in a purely advisory capacity.

This new article also establishes strict confidentiality requirements for the Department and any consultants it retains, and subjects an insurer to a fine of \$200 per day for failure to file a report, up to a maximum of \$25,000 in any one calendar year.

In addition to the new article detailed above, House Bill 1481 also adds a new section that establishes rules and conditions concerning the electronic delivery of information and posting of policies and endorsements by insurance companies.

FISCAL IMPACT: Enactment of this legislation will have no adverse impact on Commonwealth funds. As mentioned above, should the Insurance Department need additional expertise beyond its own staff to review any filings under this new article, such consultants could be retained at the insurer's expense.

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House Appropriations Committee (R)

DATE: October 21, 2013