



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 1205

PRINTERS NO. 1848

PRIME SPONSOR: Laughlin

COST / (SAVINGS)

FUND	FY 2018/19	FY 2019/20
Insurance Regulation and Oversight Fund	\$0	\$0

SUMMARY:

Senate Bill 1205 amends Title 40 (Insurance) concerning corporate governance annual disclosures. It would take effect immediately.

ANALYSIS:

Senate Bill 1205 amends Title 40 (Insurance) by adding a new chapter concerning corporate governance annual disclosure (CGAD). The new chapter is designed to provide the PA Insurance Commissioner an annual summary of an insurer or insurance group's corporate governance structure, policies, and practices to permit the commissioner to gain and maintain an understanding of the insurer or insurance group's corporate governance framework. It also permits the department to promulgate rules and regulations and issue orders necessary for its administration and enforcement.

Beginning January 1, 2020, a Pennsylvania insurer or an insurance group of which this Commonwealth is the lead state must submit to the department a CGAD no later than June 1 of each calendar year. The CGAD must contain the material information necessary to permit the department to gain an understanding of the insurer's or insurance group's corporate governance structure, policies and practices. The commissioner must consider premium volume, licensing status in other states, and corporate complexity and scale when evaluating the comprehensiveness of a company's CGAD. Additional details on what must be included in the CGAD are enumerated in the legislation.

The Department must review each CGAD and may retain, at the insurer or insurance group's expense, third-party consultants, including attorneys, actuaries, accountants and other experts to assist with this review when reasonable and necessary.

The CGAD-related information in the possession or control of the department that is produced by, obtained by or disclosed to the department or any third-party consultant shall be privileged and given confidential treatment. It shall not be subject to the Right-to-Know Law or other means of disclosure listed in the bill.

An insurer or insurance group that fails to timely file a CGAD as required under this legislation or by regulation will be required, after notice and hearing, to pay a penalty of \$200 for each day's delay, up to a maximum penalty of \$25,000 per year.

FISCAL IMPACT:

Enactment of this legislation will have no adverse fiscal impact on Commonwealth funds.

The Insurance Department indicates that any additional costs associated with the review of the required corporate governance annual disclosures can be handled primarily within the Department's available funds. If outside consultants are necessary, they can be retained at the insurer or insurance group's expense.

PREPARED BY: Jeff Miller
House Appropriations Committee (R)

DATE: October 16, 2018

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.