

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

BILL NO. House Bill 1851

PRINTER NO. 3797

AMOUNT

No Fiscal Impact

FUND

Insurance Regulation and Oversight Fund

DATE INTRODUCED

October 10, 2017

PRIME SPONSOR

Representative Pickett

DESCRIPTION

House Bill 1851 amends the Insurance Department Act of 1921 (act) to require transparency, further establish procedural guidelines for Insurance Department (department) examinations, to establish the Joint Underwriting Association (JUA) under the act, assign additional duties to the JUA, and statutorily establish the JUA Board.

House Bill 1851 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.

The bill 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 House Bill 1851 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.

The bill requires the JUA to complete the following additional duties:

- Submit monthly reports to the commissioner of premiums collected and claims paid during the immediately preceding month;
- Provide to the commissioner additional documents and information regarding the association's operations as the commissioner may request;
- Within sixty days following the effective date of this section, prepare and submit a new plan of operation for approval by the commissioner; and
- Submit to examinations.

The bill statutorily establishes the JUA board and clarifies that it shall operate under the department. The board is to consist of the following members:

- Three members appointed by the Governor and
- One member appointed by each of the following:
 - The President Pro Tempore of the Senate.
 - The Minority Leader of the Senate.
 - The Speaker of the House of Representatives.
 - The Minority Leader of the House of Representatives.

The day-to-day operations of the board shall be managed by an Executive Director who, along with any staff, shall be considered a Commonwealth employee. The department shall provide administrative support to the board as needed.

This act shall take effect in 30 days.

FISCAL IMPACT:

House Bill 1851 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.

The department is able to accommodate the additional administrative support to the JUA within existing staffing and budget levels.