

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1851 Session of 2017

INTRODUCED BY PICKETT, BAKER, SCHLEGEL CULVER, DeLUCA, MILLARD, WARD, D. COSTA, BRADFORD, M. QUINN AND WHEELAND, OCTOBER 10, 2017

AS REPORTED FROM COMMITTEE ON INSURANCE, HOUSE OF REPRESENTATIVES, AS AMENDED, FEBRUARY 5, 2018

AN ACT

1 Amending the act of May 17, 1921 (P.L.789, No.285), entitled "An
2 act relating to insurance; establishing an insurance
3 department; and amending, revising, and consolidating the law
4 relating to the licensing, qualification, regulation,
5 examination, suspension, and dissolution of insurance
6 companies, Lloyds associations, reciprocal and inter-
7 insurance exchanges, and certain societies and orders, the
8 examination and regulation of fire insurance rating bureaus,
9 and the licensing and regulation of insurance agents and
10 brokers; the service of legal process upon foreign insurance
11 companies, associations or exchanges; providing penalties,
12 and repealing existing laws," in examinations, further
13 providing for purpose and providing for scheduling
14 conference, for budget estimate and revisions, for billing
15 invoices and for annual examination and analysis report.

16 The General Assembly of the Commonwealth of Pennsylvania
17 hereby enacts as follows:

18 Section 1. Section 901 of the act of May 17, 1921 (P.L.789,
19 No.285), known as The Insurance Department Act of 1921, is
20 amended to read:

21 Section 901. Purpose.--The purpose of this article is to
22 provide an effective and efficient system for examining the
23 activities, operations, financial condition and affairs of all

1 persons transacting the business of insurance in this  
2 Commonwealth and all persons otherwise subject to the  
3 jurisdiction of the department. The provisions of this article  
4 are intended to enable the department to adopt a flexible system  
5 of examinations which directs resources as may be deemed  
6 appropriate and necessary for the administration of the  
7 insurance and insurance related laws of this Commonwealth. This  
8 article recognizes the commitment of the department to work with  
9 the insurance industry to utilize the most efficient means to  
10 conduct examinations, minimize costs, facilitate cooperation and  
11 communication between insurers and the department, increase  
12 transparency and increase efficiencies to the greatest extent  
13 possible.

14 Section 2. The act is amended by adding sections to read:

15 Section 904.1. Scheduling Conference.--Prior to commencing  
16 examination field work under this article, the department shall  
17 hold a scheduling conference with a company to discuss the  
18 following:

19 (1) The purpose and scope of the examination.

20 (2) The estimated costs for the examination.

21 (3) The types of information that the company will be asked  
22 to produce.

23 (4) The most efficient means of conducting the examination.

24 (5) Any alternative approaches in conducting the examination  
25 that would be more convenient, less burdensome or less expensive  
26 for the company while still providing for an effective  
27 examination by the department.

28 Section 904.2. Budget Estimate and Revisions.--(a) No more  
29 than thirty days after the scheduling conference under section  
30 904.1 has been conducted, the department shall provide the

1 company with a detailed written budget estimate for the  
2 examination that must, for each forthcoming phase of the  
3 examination, as appropriate:

4 (1) Identify the individuals or firms performing the  
5 examination and their daily or hourly rates.

6 (2) Provide an estimate of travel, lodging, meal and other  
7 administrative or supply costs.

8 (3) Estimate the length of time to conduct on-site and off-  
9 site examination activities.

10 (b) Within fifteen days of receipt of a budget estimate  
11 under subsection (a), the company and the department shall have  
12 an additional discussion regarding the most efficient means of  
13 conducting the examination and producing information. If  
14 necessary, revisions of the budget estimate shall be made.

15 (c) The time periods under subsections (a) and (b) may be  
16 extended if the company and the department mutually agree to the  
17 extension.

18 (d) At any time during the examination, the department shall  
19 hold another scheduling conference with the company in  
20 accordance with section 904.1 and provide a revised budget  
21 estimate as set forth in subsection (a) if:

22 (1) the department determines that the cost of the  
23 examination will exceed the budget estimate by more than ten per  
24 centum; or

25 (2) there is a material change in staffing assignments.

26 Section 904.3. Billing Invoices.--(a) The following shall  
27 apply for each billing invoice submitted to a company regarding  
28 examination work:

29 (1) An invoice which is submitted by a contractor of the  
30 department must contain an itemized and detailed description of

1 charges on a quarterly hour basis by the examiner, including the  
2 applicable billing rates and a per charge description of related  
3 travel or other expenses.

4 (2) An invoice which is submitted by the department directly  
5 must contain instructions on how a company may obtain an  
6 itemized and detailed description of the charges.

7 (3) An invoice shall be submitted to a company on a monthly  
8 basis as soon as practicable but no later than sixty days after  
9 the date on which the billed activity was performed.

10 (4) An invoice must provide a due date of no fewer than  
11 thirty days after the bill is submitted to the company.

12 (5) An invoice must contain an explanation of the invoicing  
13 process and the procedure for resolving billing disputes.

14 (b) To the extent possible, the department shall follow the  
15 procedures under subsection (a) for billing invoices submitted  
16 by third-party consultants retained as described under section  
17 905.1(a)(2), (3), (4), (5) or (6).

18 Section 905.1. Annual Examination and Analysis Report.--(a)  
19 Within thirty days of the end of each fiscal year, the  
20 department shall publish a report setting forth, for the  
21 immediately prior fiscal year, the total amount of money that <--  
22 the department billed to companies and contractors of the  
23 department which were BILLED TO COMPANIES BY THE DEPARTMENT AND <--  
24 ITS CONTRACTORS retained in each of the following categories:

25 (1) Financial examinations conducted under section 904.

26 (2) Market conduct examinations conducted under section 904.

27 (3) Examinations conducted under section 1406 of the act of  
28 May 17, 1921 (P.L.682, No.284), known as "The Insurance Company  
29 Law of 1921."

30 (4) The review of transactions under any of the following

1 sections of "The Insurance Company Law of 1921":

2 (i) Section 803-A.

3 (ii) Section 807-A.

4 (iii) Section 1402.

5 (iv) Section 1405.

6 (5) The solvency monitoring of companies under any of the  
7 following:

8 (i) Section 507-A.

9 (ii) Section 506-B.

10 (iii) Section 2607 of "The Insurance Company Law of 1921."

11 (6) Other subsequently enacted statutory provisions that  
12 provide for the retention of third-party consultants.

13 (b) The report under this section must:

14 (1) separately list the identity of each contractor retained  
15 by the department and the amount of money paid by companies to <--  
16 that contractor BILLED BY THE CONTRACTOR TO COMPANIES; <--

17 (2) disclose the total amount of deposits into the Insurance  
18 Regulation and Oversight Fund under section 4(a)(3) of the act  
19 of July 2, 2013 (P.L.255, No.46), known as the "Insurance  
20 Regulation and Oversight Fund Act," as a result of financial and  
21 market regulation activities for which regulated entities are  
22 responsible to pay; and

23 (3) include an analysis of the effectiveness of the  
24 procedures under this article and recommendations to further  
25 improve the efficiency and transparency of the examination  
26 processes.

27 Section 3. This act shall take effect in 60 days.