
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1031 Session of
2018

INTRODUCED BY LAUGHLIN AND WHITE, JANUARY 26, 2018

REFERRED TO BANKING AND INSURANCE, JANUARY 26, 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
24 persons transacting the business of insurance in this
25 Commonwealth and all persons otherwise subject to the

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

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

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

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

18 (2) The estimated costs for the examination.

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

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

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

26 Section 904.2. Budget Estimate and Revisions.--(a) No more
27 than thirty days after the scheduling conference under section
28 904.1 has been conducted, the department shall provide the
29 company with a detailed written budget estimate for the
30 examination that must, for each forthcoming phase of the

1 examination, as appropriate:

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

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

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

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

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

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

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

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

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

27 (1) An invoice which is submitted by a contractor of the
28 department must contain an itemized and detailed description of
29 charges on a quarterly hour basis by the examiner, including the
30 applicable billing rates and a per charge description of related

1 travel or other expenses.

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

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

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

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

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

16 Section 905.1. Annual Examination and Analysis Report.--(a)
17 Within thirty days of the end of each fiscal year, the
18 department shall publish a report setting forth, for the
19 immediately prior fiscal year, the total amount of money billed
20 to companies by the department and its contractors retained in
21 each of the following categories:

22 (1) Financial examinations conducted under section 904.

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

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

27 (4) The review of transactions under any of the following
28 sections of "The Insurance Company Law of 1921":

29 (i) Section 803-A.

30 (ii) Section 807-A.

1 (iii) Section 1402.

2 (iv) Section 1405.

3 (5) The solvency monitoring of companies under any of the
4 following:

5 (i) Section 507-A.

6 (ii) Section 506-B.

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

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

10 (b) The report under this section must:

11 (1) separately list the identity of each contractor retained
12 by the department and the amount of money paid by companies to
13 that contractor;

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

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

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