

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-0751
Prime Sponsor(s): Sen. Jahn

Date: March 31, 2014
Bill Status: Senate Business, Labor, & Technology
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SHORT TITLE: STANDARDIZE INSURERS' FINANCIAL TRANSACTION REQ

| Fiscal Impact Summary* | FY 2014-2015 | FY 2015-2016 |
|--------------------------------------|---|--------------|
| State Revenue | | |
| State Expenditures | Minimal workload increase. See State Expenditures section. | |
| FTE Position Change | | |
| Appropriation Required: None. | | |

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

This bill enacts model legislation adopted by the National Association of Insurance Commissioners (NAIC) that increases the authority of the Commissioner of Insurance over derivative transactions and holding company systems. Provisions of the bill include:

- expanding the definitions of "derivative instrument" and "income generation;"
- imposing caps on the percentage of admitted assets that an insurance company may commit to derivative instruments for hedging transactions;
- repealing and reenacting with amendments insurance holding company laws;
- requiring prior notice of divestiture to the commissioner by a controlling person of an insurance company;
- providing for a person seeking to acquire control of an insurance company to request a single consolidated public hearing if multi-state approvals are required; and
- authorizing the commissioner to participate in one or more supervisory colleges and to review insurance company holding systems' enterprise risk and compliance with the bill's financial transaction requirements.

Background

Insurance regulation is under the purview of each state. The NAIC is an advisory body and service provider for state insurance regulators. The NAIC is comprised of the chief insurance regulatory officials of all 50 states. Committees of regulators develop model laws and regulations that states can adopt or modify based on the state's specific regulatory needs.

State Expenditures

This bill will result in a minimal increase in workload for the Division of Insurance (DOI) in the Department of Regulatory Agencies. Because the bill gives the commissioner greater authority over financial transactions of insurance companies, examinations of insurance companies and holding companies can be expanded. Insurance companies are also required to make additional filings to the commissioner for review and approval when initiating certain transactions. This increase in workload is expected to be minimal and will not require new appropriations. If the DOI needs to update its rules to implement the bill, the fiscal note assumes this will be conducted as part of its annual legislative rulemaking process.

Effective Date

The bill takes effect July 1, 2014.

State and Local Government Contacts

Regulatory Agencies

Law

Public Safety

Judicial