

HCS HB 2524 -- REGULATING INSURANCE COMPANIES

SPONSOR: Knight

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Financial Institutions by a vote of 13 to 0. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 10 to 0.

The following is a summary of the House Committee Substitute for HB 2524.

INVESTIGATIONS OF REGULATED ENTITIES (Sections 374.190 and 374.192)

Currently, confidentiality provisions in Section 374.205, RSMo, apply to financial examinations. This bill adds these provisions to records used in market conduct investigations or actions.

Any regulated entity will have at least 30 calendar days to submit any record or material requested by the Department of Commerce and Insurance (DCI), except for requests by the Division of Consumer Affairs. If a record is maintained beyond the required retention period the record may only be requested or reviewed by the Director if there is substantial and competent evidence that the regulated entity committed a level 4 or 5 violation of Missouri insurance laws or a felony conviction related to the insurance business.

MUTUAL INSURANCE COMPANIES (Sections 380.621 and 380.631)

This bill creates the "Protecting Missouri's Mutual Insurance Companies Act", which states that no Missouri mutual insurance company (Missouri mutual company) will be required to acquire or carry reinsurance greater than adequate reinsurance, and that unlimited aggregate reinsurance will be optional.

The authority granted in Section 380.621 will be the sole authority granted to the Department over any Missouri company operating under Chapter 380, Missouri mutual company, with a provision that premium taxation under Chapter 148 remains applicable and that Chapter 382 also remains applicable to a Missouri mutual company which is a member of or seeking membership in an insurance holding company system. The extent of the Department's authority to require a Missouri mutual company to waive benefits and its ability to confer favorable treatment is similarly limited, with the effectiveness of certain agreements as specified in the bill.

The Director of the DCI shall not hold a hearing regarding a proposed merger of Missouri mutual companies unless there is substantial and competent evidence to believe the merger will

prejudice the policyholders of the companies. The Director shall provide a written notice of hearing with the reasons and the date of the hearing within 15 days of receiving the petition of merger.

The bill states that the Department shall not charge a rate exceeding a reasonable fee for the examination of a Missouri mutual company, and that the Department must hold a scheduling conference and provide a budget estimate for the examination. The bill also states that the working papers, documents, and information obtained or disclosed during the examination will be confidential and not subject to subpoena or public disclosure.

The bill also defines the word "insolvent" for Missouri mutual companies that operate under Chapter 380. Currently, the Insurers Supervision, Rehabilitation, and Liquidation Act in Sections 375.1150 to 375.1246 exempts Missouri mutual companies operating under Chapter 380. This bill adds Missouri mutual companies the Act and states that Sections 375.570 to 375.750 will apply to those proceedings.

PROPONENTS: Supporters say that mutual insurance companies were established in 1867 and 1868 and are now present in every county, but tend to do most of their business in rural areas where bigger insurers are not present and where people face rising premiums and declining coverage options. As a result of the Joplin tornado, the Department of Commerce and Insurance adopted a regulation that says mutuals must have reinsurance of an unlimited aggregate amount. Only one carrier offers this, which creates a monopoly.

Testifying in person for the bill were Representative Knight; Missouri Insurance Coalition; National Association of Mutual Insurance Companies; and Jake Black, CFM Insurance, Incorporated.

OPPONENTS: There was no opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.