

HCS SS SCS SB 834 -- EXAMINATION OF INSURANCE COMPANIES

SPONSOR: Crawford (Christofanelli)

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Insurance Policy by a vote of 12 to 0. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 9 to 0.

The following is a summary of the House Committee Substitute for SB 834.

INSURANCE DOCUMENTS (Sections 374.190 and 374.192)

This bill specifies that certain confidentiality provisions apply to records used in market conduct investigations and actions from the Department of Commerce and Insurance (DCI). The bill specifies that regulated entities have at least 30 calendar days to submit any record or material requested by the DCI, except for the Division of Consumer Affairs. Records maintained beyond the required retention period are not required to be produced unless the Director has substantial and competent evidence the regulated entity committed a level 4 or 5 violation of the insurance laws of this State or a felony related to the business of insurance.

DISPOSITION OF CERTAIN REINSURANCE CONTRACTS (Section 375.1183)

This bill enacts provisions relating to the disposition of reinsurance contracts, reinsuring policies of life or health insurance, or annuities issued by insurers that have been placed into conservation, rehabilitation, or liquidation as specified in the Insurers Supervision, Rehabilitation and Liquidation Act.

Reinsurance contracts held by the insurers placed in conservation or rehabilitation proceedings or liquidation continue or terminate as provided in the contract and as specified in the bill. Reinsurance contracts terminated pursuant to an order of liquidation are subject to mandatory negotiation and arbitration procedures specified in the bill.

A guaranty association may elect to assume the liquidated insurer's rights and obligations under reinsurance contracts within 180 days of the order of liquidation as specified in the bill. To facilitate this decision, the receiver and each affected reinsurer must make available copies of reinsurance contracts and related files and records, as well as notices of any defaults under the contracts or any known event or condition which could become a default.

The bill further specifies rights and duties of the guaranty association and reinsurers under the reinsurance contracts assumed by the guaranty association, including with regard to premium payments, payment of claims, resolution of disputes over amounts due, and termination or continuation of the contracts.

If a receiver continues policies of life or health insurance or annuities issued by an insolvent insurer, and the policies are not covered in whole or in part by a guaranty association, the receiver may elect to assume the liquidated insurer's rights and obligations under reinsurance contracts relating to the policies or annuities within 180 days of the order of liquidation as specified in the bill, provided the contracts have not been terminated. In this event, premiums for the applicable reinsurance will be chargeable against the estate of the insolvent insurer.

Between the order of liquidation and the time a guaranty association elects to assume the insolvent insurer's rights and obligations under a reinsurance contract as specified in the bill, a guaranty association, receiver, or reinsurer will not have any right or obligation under any reinsurance contract eligible for assumption.

If the guaranty association or receiver does not timely elect to assume a reinsurance contract as provided in the bill, the reinsurance contract will be terminated retroactively, effective as of the date of the order of liquidation, and will be subject to mandatory negotiation and arbitration procedures specified in the bill.

When policies or annuities, or the obligations of the guaranty association under the policies or annuities, are transferred to an assuming insurer, associated reinsurance may be transferred to the assuming insurer as well, subject to certain limitations specified in the bill.

This bill supersedes provisions of law or any affected reinsurance contract with regard to payment of reinsurance proceeds for losses or events occurring after an order of liquidation.

When a reinsurance contract is terminated pursuant to the Insurers Supervision, Rehabilitation and Liquidation Act, the reinsurer and the receiver must commence mandatory negotiation and arbitration procedures laid out in the bill.

MUTUAL INSURANCE COMPANIES (Sections 380.621 and 380.631)

This bill enacts the "Protecting Missouri's Mutual Insurance Companies Act".

As specified in this bill, Chapter 380 is the sole authority of the Department of Commerce and Insurance over Missouri mutual insurance companies, and the provisions of this chapter will not be waived, provided that certain provisions pertaining to premium taxation and insurance holding companies still apply as described in the bill. The bill voids agreements between the Department and mutual insurers as to additional Department authority, but benefits, allowances, and concessions granted to the insurers remain in effect for the duration of the agreements.

The bill enacts provisions relating to reinsurance requirements, Department review of proposed mergers between mutual insurance companies, and examinations of mutual insurance companies by the Department.

The bill specifies what fees can be charged for the examination and specifies how those fees are billed.

The bill describes when a mutual insurance company is considered "insolvent", and specifies that mutual insurance companies are subject to the Insurers Supervision, Rehabilitation, and Liquidation Act with the exception of certain provisions, and are subject to other provisions pertaining to the commencement of court proceedings by the Director of the Department of Commerce and Insurance.

The following is a summary of the public testimony from the committee hearing. The testimony was based on the Senate perfected version of the bill.

PROPONENTS: Supporters say that this bill has provisions to make sure there is regularity and transparency about costs incurred, and guardrails for when the Department does an audit. This also says how companies can merge and when the Department can interfere.

Testifying in person for the bill were Senator Crawford; Missouri Insurance Coalition; NAMIC; and the American Council of Life Insurance.

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.