

HCS HB 3314 -- INSURANCE REGULATION

SPONSOR: Hinman

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Insurance by a vote of 10 to 1. Voted "Do Pass" by the Standing Committee on Rules-Legislative by a vote of 11 to 0.

The following is a summary of the House Committee Substitute for HB 3314.

Under current law, the Missouri Property and Casualty Insurance Guaranty Association (MOPCIGA) and the Missouri Life and Health Insurance Guarantee Association (MOLHIGA) are state-mandated legal entities that act as safety nets for policyholders. They pay covered claims for Missouri residents when a member insurance company becomes insolvent, covering auto, homeowners, and workers' compensation policies, life, annuity, and health. All insurance companies that do business in Missouri must be members of the association.

Currently, the Director of the Missouri Department of Commerce and Insurance or any of the Director's examiners can conduct an examination of any company as often as the Director in his or her sole discretion deems appropriate, but will, at a minimum, conduct a financial examination of every insurer licensed in this State at least once every five years.

This bill allows the Director to share documents, materials, or other information, including confidential and privileged documents, materials, or information with MOPCIGA and MOLHIGA regarding any member insurer, if the Director determines that the member insurer may be subject to a future delinquency proceeding. This bill also allows the Director to share that same information with other state guarantee associations.

This bill also puts a \$300,000 cap for how much MOPCIGA will pay for all first-party and third-party claims under a policy or endorsement that provides, or is deemed to provide, cybersecurity insurance coverage that arises out of or is related to a single insured event, regardless of the number of claims made or the number of claimants. The MOPCIGA can at its sole discretion, and without any ongoing duty to do so, pay any cybersecurity insurance obligations covered under a policy or endorsement of an insolvent company, for a high net worth insured or third-party claimant. In such case, the association will recover from the

high net worth insured or third-party claimant all amounts paid on their behalf, all allocated claim-adjusted expenses related to such claims, the association's attorney's fees, and all court costs in any action necessary to collect the full reimbursement amount due to the association.

Currently, certain classes of insurance entities are required to maintain at least nine directors on their boards including:

- (1) Life, health, and accident insurance stock companies;
- (2) Mutual life insurance companies;
- (3) Property and casualty stock insurance companies;
- (4) Mutual insurance companies; and
- (5) Reorganized insurance companies.

This bill would change the minimum number of directors to five.

Currently, the director of the Department of Commerce and Insurance can authorize a joint underwriting association after a public hearing if medical malpractice insurance is not reasonably available. All insurers authorized to write direct insurance in Missouri must join in order to continue doing business in the State.

The directors of the association must present a plan for economic, fair, and nondiscriminatory administration and for the prompt and efficient distribution of medical malpractice insurance.

This bill allows a majority of the directors of the board to suspend the operations of an association if the board of directors determine that medical malpractice insurance is reasonably available, as defined in the bill, to health care providers in the voluntary market and there are two or fewer individual physicians insured annually by the association for at least two consecutive years. The bill details the process of suspending the operations of the association.

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

PROPONENTS: Supporters say that this bill will help the guarantee associations to be better prepared when insurance companies become insolvent. This bill is about readiness and not about expanding authority. Supporters further state that this bill is model language that is used in several other states.

Testifying in person for the bill were Representative Hinman; Arnie Dienoff; and Missouri Insurance Coalition.

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.