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Fiscal Note

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Prime Sponsors: Rep. Brown; Taggart Bill Status: House Business & Labor
Fiscal Analyst: Brendan Fung | 303-866-4781
brendan.fung@coleg.gov

Bill Topic: INSURANCE HOLDING COMPANY MODEL REGULATION

Summary of Fiscal Impact:
[] State Revenue [] State Transfer [] Local Government
[x] State Expenditure [] TABOR Refund [] Statutory Public Entity

The bill modifies insurance company holding system requirements to align with national standards. It minimally increases state expenditures starting in FY 2024-25.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

The bill aligns Colorado law regarding insurance company holding systems with the National Association of Insurance Commissioners' (NAIC) Model Act.

Registration. When registering with the Division of Insurance in the Department of Regulatory Agencies (DORA), the ultimate controlling person of each insurer must file an annual group capital calculation, except for insurance holding companies of varying sizes, scopes, and regulatory structures. Additionally, for insurers scoped into the NAIC stress test framework, the bill requires the ultimate controlling person to file the results of a specific year liquidity stress test. On at least an annual basis, the Financial Stability Task Force must review the NAIC liquidity stress test scope criteria and work in consultation with the commissioner to exempt certain insurers from this requirement.

Transactions. The bill authorizes the Commissioner of Insurance to determine an insurer's hazardous financial condition and in turn, require the insurer to secure and maintain a deposit for the duration of the contract or agreement. The commissioner may decide the amount of the deposit, and whether a deposit is required for a single contract, multiple contracts, or a contract with a specific person. The bill also stipulates that an insurer's records, data, and premiums held by an affiliate are the property of, and under the control of, the insurer.

Affiliates in contract with a domestic insurer are subject to the jurisdiction of any supervision, seizure, conservatorship, or receivership proceedings against the insurer and are under the authority to perform services that maintain the insurer's operations and fulfill the insurer's obligations.

Confidentiality. The bill requires the commissioner to maintain confidentiality of proprietary documents containing trade secrets, an insurer's group capital calculation information, and an insurer's liquidity stress test results. Third-party consultants designated by the commissioner are exempt from disclosure of these documents; however, the NAIC and third-party consultants are prohibited from storing certain confidential documents and information in a permanent database after an initial analysis is complete.

The commissioner may use group capital calculation, group capital ratio, and liquidity stress test results as a regulatory tool for assessing group risks, capital adequacy, and group liquidity risks, but not as a tool to rank insurers. Additionally, insurers are prohibited from advertising or announcing the group capital calculation, group capital ratio, or liquidity stress test results of any insurer or insurance holding company system unless in rebuttal of a materially false statement.

Credit cessation. Current law permits credit allowance when reinsurance is ceded to an assuming insurer meeting specific conditions. The bill removes insurers eligible for cessation that are certified in Colorado or maintain at least \$250 million in capital and surplus and licensed in a certain number of states.

The bill authorizes the commissioner to make rules, establish frameworks, and authorize exemptions for these provisions.

State Expenditures

The bill minimally increases workload in DORA in FY 2024-25 to perform rulemaking and align current procedures with NAIC standards. Workload in the department may decrease on an ongoing basis from access to comprehensive tools and streamlined processes. The department may require legal counsel, provided by the Department of Law, related to rulemaking, implementation, and ongoing administration of the provisions. Any increase in expenditures can be accomplished within existing appropriations.

Effective Date

The bill takes effect January 1, 2025, assuming no referendum petition is filed.

State and Local Government Contacts

Information Technology

Law

Regulatory Agencies

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).