



**Colorado  
Legislative  
Council  
Staff**

**SB16-029**

**FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-0809 **Date:** January 27, 2016  
**Prime Sponsor(s):** Sen. Scheffel; Heath **Bill Status:** Senate Business, Labor, & Technology  
**Fiscal Analyst:** Clare Pramuk (303-866-2677)

**BILL TOPIC:** INSURANCE COMPLY WITH MODEL ACTS

<b>Fiscal Impact Summary</b>	<b>FY 2016-2017</b>	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>
<b>State Revenue</b> General Fund			Potential increase.
<b>State Expenditures</b>	Minimal workload increase.		
<b>Appropriation Required:</b> None.			
<b>Future Year Impacts:</b> Ongoing minimal workload increase and potential revenue increase.			

**Summary of Legislation**

Senate Bill 14-152 enacted model legislation adopted by the National Association of Insurance Commissioners (NAIC) that increased the authority of the Commissioner of Insurance over derivative transactions and holding company systems. This bill adds authority for the commissioner to compel the production of information in a financial examination of an insurer.

This bill also adds requirements for certain Colorado-domiciled insurers to assess the adequacy of their risk management by conducting NAIC's "Own Risk and Solvency Assessments" (ORSA) and to file ORSA summary reports with the commissioner. Beginning in 2017, ORSAs must be conducted no less than annually or when there are significant changes to the risk profile of an insurer or insurer group. ORSA reports are not subject to the Colorado Open Records Act and must be kept confidential.

An insurer that fails to timely file its ORSA summary report is subject to a penalty of \$200 for each day's delay up to a maximum penalty of \$25,000. The commissioner can reduce a penalty if the insurer demonstrates that the penalty would constitute a financial hardship. The commissioner may promulgate rules and orders in order to implement the bill.

**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 Revenue**

This bill potentially increases General Fund revenue from fines beginning in FY 2018-19. This bill creates a new reporting requirement and penalty for failure to timely file, which could result in fines of \$200 per day up to a maximum of \$25,000. Because the first reporting deadline will not be until calendar year 2017, the fiscal note assumes that if penalties are imposed, they would not be levied until 2018 at the earliest if at all. When fines are levied by the Division of Insurance (DOI) in the Department of Regulatory Agencies, there are typically multiple violations subject to the fine that may be negotiated downward. For this reason, any potential increase is assumed to be minimal. Fines are deposited into the General Fund.

### **State Expenditures**

This bill will result in a minimal workload increase for the DOI. Because the bill gives the commissioner greater authority over financial transactions of insurance companies, examinations of insurance companies and holding companies can be expanded. Insurers will conduct ORSAs and report the results to the commissioner for review as a new part of the solvency oversight process. 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 August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed. The ORSA requirements of the bill are effective January 1, 2017.

### **State and Local Government Contacts**

Law

Office of Information Technology

Regulatory Agencies

### **Research Note Available**

An LCS Research Note for SB16-029 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.