



# Legislative Council Staff

## Research Note

Version: Final

Date: 3/18/2016

### Bill Number

**Senate Bill 16-029**

### Sponsors

***Senators Scheffel & Heath  
Representatives Duran &  
Lawrence***

### Short Title

***Insurance Comply With Model  
Acts***

### Research Analyst

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### Status

This research note reflects the final version of the bill and became effective March 18, 2016.

### Summary

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.

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## 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.

## Senate Action

***Senate Business, Labor, and Technology Committee (February 1, 2016).*** At the hearing, the committee heard from representatives of Great West Financial and the American Council of Life Insurers who spoke in support of the bill. Representatives from the Division of Insurance responded to questions from the committee. The committee adopted amendment L.002 and referred the bill, as amended, to the Senate Committee of the Whole with a recommendation that it be placed on the consent calendar. Amendment L.002 clarified that expenses incurred by the insurer's witnesses are the responsibility of the insurer and that the first required filing of an ORSA summary report is in 2017, although companies may choose to file an ORSA summary in 2016. The amendment also added a safety clause.

***Senate second reading (February 4, 2016).*** The Senate adopted the Senate Business, Labor, and Technology Committee report. The Senate passed the bill on second reading.

***Senate third reading (February 5, 2016).*** The Senate passed the bill on third reading with no amendments.

## House Action

***House Business Affairs and Labor Committee (February 23, 2016).*** At the hearing, the committee heard testimony from representatives of Great West Financial and the American Council of Life Insurers who spoke in support of the bill. Representatives from the Division of Insurance responded to questions from the committee. The committee adopted amendment L.003 and referred the bill, as amended, to the House Committee of the Whole. Amendment L.003 clarifies the definition of "insurer" in the bill.

***House second reading (February 25, 2016).*** The House adopted the House Business Affairs and Labor committee report. The House passed the bill on second reading.

***House third reading (February 26, 2016).*** The House passed the bill on third reading with no amendments.