

One Hundred Third Legislature - Second Session - 2014

Introducer's Statement of Intent

LB700

Chairperson: Senator Mike Gloor

Committee: Banking, Commerce and Insurance

Date of Hearing: January 28, 2014

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

This bill would adopt the Risk Management and Own Risk and Solvency Assessment Act, which would provide requirements for maintaining a risk management framework and completing an Own Risk and Solvency Assessment, and provide guidance and instructions for filing an Own Risk and Solvency Assessment Summary Report with the Director of the Department of Insurance. This will improve the regulatory tools available to the Director of the Department in evaluating the financial solvency of insurers. The act is a National Association of Insurance Commissioners Model Act, and will become an accreditation standard.

The bill would adopt the Risk Management and Own Risk and Solvency Assessment Act, declare the purpose of the act, and define terms. The bill would apply to all domestic insurers except for those exempt under the bill. The bill would not apply to domestic insurers writing less than five hundred million dollars of annual direct written and unaffiliated assumed premium and insurance groups writing less than one billion dollars of annual direct written and unaffiliated assumed premium.

An Own Risk and Solvency Assessment would be defined as a confidential internal assessment, conducted by the insurer or insurance group, of the risks associated with the current business plan and sufficiency of capital resources. Own Risk Solvency Assessment Guidance Manual would be defined as the manual prescribed by the director conforming substantially to the manual developed and adopted by the National Association of Insurance Commissioners and would further define the effective date to changes to the manual. An Own Risk and Solvency Assessment Summary Report would be defined as a confidential high level summary of the Own Risk and Solvency Assessment. (Sections 1 through 4 of the bill)

The bill would require domestic insurers and insurance groups to maintain a risk management framework, and conduct an Own Risk and Solvency Assessment no less than annually. The own risk solvency report would be submitted to the Director upon request. (Sections 5 through 7 of the bill) The bill would require that the summary be prepared consistently with the manual and analyzed under a process similar to that applicable to multistate or global insurers and insurance groups. (Sections 8 and 9 of the bill)

The bill would provide strict standards to assure the security of the information provided to the Director under the Act. The bill would specify that information obtained pursuant to this act is confidential, privileged, not a public record, and not subject to subpoena, discovery, or admissible in evidence in a private civil action either directly or through testimony. While the bill would allow sharing information with other financial regulators, the National Association of Insurance Commissioners and third party consultants, such sharing would be subject to the safeguards applicable if the Director holds the information and requires such sharing to be under a written agreement. (Section 10 of the bill)

The bill would impose a penalty of two hundred dollars per day not to exceed ten thousand dollars if an insurer fails to file an Own Risk Solvency Assessment Summary Report. The bill would become operative on January 1, 2015. (Sections 11 and 12 of the bill)

Principal Introducer: _____

Senator Paul Schumacher