

**SB 251 A STAFF MEASURE SUMMARY**

**Carrier:** Rep. Doherty

**House Committee On Business and Labor**

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**Action Date:** 04/24/19

**Action:** Do Pass the A-Eng bill.

**Vote:** 9-0-2-0

**Yeas:** 9 - Barker, Barreto, Boles, Bonham, Boshart Davis, Bynum, Doherty, Evans, Fahey

**Exc:** 2 - Clem, Holvey

**Fiscal:** Has minimal fiscal impact

**Revenue:** No revenue impact

**Prepared By:** Jan Nordlund, LPRO Analyst

**Meeting Dates:** 4/17, 4/24

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**WHAT THE MEASURE DOES:**

Updates various statutes in Insurance Code to reflect changes in National Association of Insurance Commissioners (NAIC) model provisions related to reserve requirements for domestic insurers that cede insurance to reinsurers and to regulating insurance adjusters and insurance consultants. Grants Department of Consumer and Business Services rulemaking authority to implement potential future changes by NAIC to reinsurance collateral requirements for alien reinsurers. Becomes operative January 1, 2020. Declares emergency, effective on passage.

**ISSUES DISCUSSED:**

- Purpose of reinsurance and application of credit for reinsurance
- Importance of state's insurance regulatory program maintaining accreditation with NAIC
- Changes for insurance adjusters and consultants

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

The Department of Consumer and Business Services (DCBS) administers and enforces the Insurance Code, the statutes that regulate the business of insurance. Current statute requires DCBS to maintain accreditation from the National Association of Insurance Commissioners (NAIC), a standard-setting organization created and governed by the chief insurance regulators from all states, the District of Columbia, and five U.S. territories. The NAIC accreditation program is designed to establish and maintain standards that promote sound insurance company financial solvency regulation.

Reinsurance allows an insurer to transfer risk to another insurer and is an important mechanism for carriers to manage exposure and financial solvency. The NAIC adopted revisions for its reinsurance standards in 2011 that recently became mandatory for NAIC accreditation. Senate Bill 251-A revises the Insurance Code to align with these mandatory changes, and allows DCBS to adopt by rule future changes by NAIC to the reinsurance collateral requirements for reinsurers. The measure also makes changes to align with the NAIC licensing standards for insurance adjusters.