

BILL SUMMARY
1st Session of the 52nd Legislature

Bill No.:	SB 1022
Version:	Engrossed
Author:	Sen. Brown/Rep. Sullivan
Date:	March 30, 2009
Impact:	Estimated loss of \$4,100 a year to Insurance Department

Bill Summary

Research Analyst: Arnella Karges

Engrossed SB 1022 amends various provisions of the insurance title in the Oklahoma Statutes. Major provisions in the bill include the following:

- specifies that the Insurance Commissioner may conduct financial and market examinations of licensed insurers, at a minimum conducting financial examinations as currently required;
- creates a new section of law requiring insurers to file market conduct annual statements with the Commissioner, accompanied by a \$200 filing fee;
- creates the Oklahoma Annual Financial Report Act, providing purpose of the Act is to improve surveillance of the Insurance Commissioner over the financial condition of insurers in Oklahoma, requiring an annual audit of insurers' operations;
- the Act defines "workpapers" and requires workpapers retained by independent auditors to be made available for review by Insurance Department examiners;
- the authorizes the Insurance Department's Anti-Fraud Unit to make confidential records available to law enforcement, when it is determined a violation of criminal law has occurred;
- adds a new subsection to the Health Care Fraud Prevention Act authorizing the Insurance Commissioner to fine a discount medical plan organization rather than revoking or suspending registration of the organization, fine not to exceed \$1,000 per violation;
- permits an administrative fee of \$50 for late notice of a change in legal name or address of a licensed insurance producer, rather than immediately assessing a penalty;
- updates statutes relating to terminated health insurance plans;
- streamlines the definition of "bail bond" as used in the statutes;
- provides regulatory power over individuals engaging in the unauthorized business of bail bonds;
- creates an option for an apprentice adjuster license;
- modifies the definition of "eligible employee" in the Employer Health Insurance Purchasing Group Act to include an employee who works the number of hours a week as designated by the employer to be considered full-time [and eligible for health insurance coverage], though "full time" shall not be less than 24 hours a week;
- modifies the definition of "eligible employee" in the Small Employer Health Insurance Reform Act to include, at the discretion of the employer, an employee who works on a part-time basis in a normal work week of 24+ hours;
- requires service warranty associations to purchase insurance from an insurer that is also a member of the Oklahoma Property and Casualty Insurance Guaranty Association or the Oklahoma Health and Life and Health Insurance Guaranty Association;

- creates the Medical Professional Liability Insurance Closed Claim Reports Act which updates the medical malpractice closed claim reporting process; and
- repeals unnecessary statutes due to new provisions in the bill.

Fiscal Summary

Fiscal Analyst: Mark Nichols

The engrossed version of SB 1022 creates the Oklahoma Annual Financial Report Act. The provisions of the measure contain several items that could potentially have a fiscal impact. The measure provides:

- All insurers file a market conduct annual statement to the Insurance Department and sets the fee at \$200;
- That the agency use these statements to conduct examinations and investigations to ensure the insurer's compliance with state laws;
- For a maximum fine of \$1,000 that can be levied against a discount medical plan organization found to be in violation of insurance statutes, rather than a suspension or revocation of the license;
- That applicants for a resident surplus lines broker's license pass a property and casualty insurance examination to qualify for the license;
- For an administration fee of \$50 for a notification of change of address or legal name for a licensee that is submitted more than 30 days after such change;
- For an optional apprentice adjuster license at a license fee of \$20; and
- For an increase in a duplicate adjuster's license from \$5 to 50% of the license fee.

Fiscal Analysis

According to officials at the Insurance Department, the total impact to their non-appropriated agency would be a loss of approximately \$4,100 annually. The impact of each bullet point is separated below:

- For the approximately 1,400 licensed insurance companies at a \$200 filing fee, revenue is estimated to be \$280,000;
- The market conduct examinations would require an additional 3 FTE in support staff and the development of an electronic system for filing the required statements and cost approximately \$293,600;
- The fine for the discount medical plan organization is intended to be an additional method besides merely suspending or revoking a license, and is estimated to be revenue neutral, or at least not a revenue generator;
- The surplus line brokers have already passed the necessary examinations and so this requirement will not have a fiscal impact;
- Currently, there is assessed a \$100 fine for violation of the requirement regarding notification of change of address. Changing this to a \$50 administrative fee will lower the amount received but increase the total amount gained. It is estimated to be revenue neutral;
- There are approximately 400 apprentice adjusters licensed each year, and estimates are that this provision would generate \$8,000 annually; and
- There are roughly 150 duplicate adjuster's licenses issued each year. Currently, the \$5 fee generates \$750 in annual revenue. Adjusting the fee to half the license fee, which would make it \$15, would increase revenue to \$2,250, an increase of \$1,500.

Long Term Fiscal Considerations

None

Fiscal Analysis Reviewed By:

Janice Buchanan

House Fiscal Director