

**BILL SUMMARY**  
1st Session of the 53rd Legislature

<b>Bill No.:</b>	<b>SB 778</b>
<b>Version:</b>	<b>CS</b>
<b>Request Number:</b>	
<b>Author:</b>	<b>Sullivan</b>
<b>Date:</b>	<b>4/14/2011</b>
<b>Impact:</b>	<b>Potential loss of \$17 million to Department and GR if Surplus Lines not passed</b>
	<b>Potential \$796,000 increase in revenue to the Department and General Revenue Fund</b>

**Research Analysis**

The committee substitute to SB 778 is an omnibus bill. The measure requires the Insurance Commissioner to review and analyze transact insurance applications and focus on certain information within the application. The measure makes the imposition of certain taxes or other obligations on foreign obligations on state insurers optional.

The measure creates the Unauthorized Insurers and Surplus Lines Insurance Act. The Act authorizes the Insurance Commissioner to enter into a Nonadmitted Insurance Multi-State Agreement or other agreement for the purpose of carrying out the Nonadmitted and Reinsurance Reform Act of 2010. The measure requires that only surplus lines licensees or brokers may perform certain insurance transactions. Only certain surplus lines premiums will be subject to surplus premium taxes pursuant to a Nonadmitted Insurance Multi-State Agreement or other agreement entered into by the Insurance Commissioner.

The measure adds several conditions and requirements in which surplus lines insurers may procure insurance. Surplus lines insurers are exempt from certain requirements when procuring or placing nonadmitted insurance for an exempt commercial purchaser. After procuring any surplus line insurance, the broker is required to submit certain information, tax filings, and payments to the surplus lines clearinghouse.

A surplus lines licensee or broker is authorized to place certain insurance coverage with a nonadmitted insurer or surplus lines insurer if the coverage is not readily procurable from authorized insurers. Surplus lines insurers are required to meet certain financial The measure also modifies procedures relating to the levying, collection, payment and distribution of the surplus lines premium tax.

The measure requires the Insurance Commissioner to develop forms instead of affidavits to be presented to patients and providing that false statements will be considered willful misrepresentation.

The measure modifies fees for licensure and examinations, continuing education requirements and authorizing the Insurance Commissioner to assess civil penalty against continuing education providers for failure to comply with certain requirements under the Oklahoma Insurance Producer Licensing Act.

The definition for Company Action Level Event is modified as used within the Risk-based Capital for Insurers Act.

Under the Genetic Nondiscrimination in Insurance Act, the measure requires home owner insurers to give to the insured certain written renewal notice on a private passenger auto or homeowner's policy and provides several requirements for such notice.

The measure requires persons to submit certificates of insurance forms to the Insurance Commissioner and have such forms approved by the Commissioner. Guidelines relating to disapproval, addendums, and penalties for violations are provided.

Every health benefit plan is required to file certain rates and adjustments with the Insurance Commissioner where the Commissioner will determine if such rate or rate adjustments are reasonable, excessive, or discriminatory.

The measure modifies the Insurance Adjuster Licensing Act by adding definitions, modifying exceptions to licensing requirements, adding requirements for licensees, and authorizing the Commissioner to assess civil penalty.

A substantial portion of the measure creates the Uniform Health Carrier External Review Act which requires all health carriers to notify the insured parties of external review rights, provides for external review procedures and guidelines, authorizes the Insurance Commissioner to promulgate certain rules, and provides several guidelines and requirements for such reviews.

The measure makes the Risk-based Capital for Health Maintenance Organizations Act of 2003 only applicable to personal insurance.

The measure repeals the Oklahoma Managed Care External Review Act, Title 63, Sections 2528.1 through 2528.10 of the Oklahoma State Statutes.

Prepared By: Andrea Merten

### **Fiscal Analysis**

The CS for SB 778, in part, creates the Unauthorized Insurers and Surplus Lines Insurance Act. This act allows the Commissioner to enter into Multi-State Agreements, allowing the Insurance Department the ability to continue to collect surplus lines tax revenue. The Department collected \$17,495,929 in surplus lines taxes last year. If the authority to enter into these agreements is not granted to the Department, they would lose a significant portion of that revenue, as would the General Revenue Fund, where 76.5% of this revenue is deposited.

The measure also amends certain fees. According to Insurance officials, changing the nonresident producer's license to a flat \$100 would net the Department \$5,400 annually, while changing the current \$55 biennial fee to a \$30 annual fee on insurance producers, managing general agents or limited lines producer would net an additional \$2.50 per license annually, amounting to approximately \$790,760 a year.

Prepared By: Mark Nichols

### **Other Considerations**

None