

BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	SB 1035
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Request Number:	N/A
Author:	Rep. Sneed
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Research Analysis

SB 1035 updates definition for risk retention group. A risk retention group seeking to be chartered for domicile in this state is required to be chartered and licensed to only write liability insurance pursuant to the insurance laws of Oklahoma. The measure requires all risk retention groups chartered in the state to file with the Insurance Department and the National Association of Insurance Commissioners (NAIC) an annual statement in a form prescribed by the Association and in electronic form if required by the Insurance Commissioner.

The measure requires the risk retention group or purchasing group to submit an appropriate revision of changes in any item of the plan of operation or feasibility study within ten (10) days of the change to the Insurance Commissioner for approval. Once the plan is approved, a copy of the approved revision plan must be submitted to the Commissioner within thirty (30) days of the date of approval. The measure prohibits the risk retention group or purchasing group from offering additional kinds of liability insurance in this state or any other state until a revision of the plan is approved by the Commissioner. The measure requires the risk retention group to provide the Commissioner a summary of specific information. The information is required to then be transmitted to the National Association of Insurance Commissioners.

The measure adds new definitions for the following terms:

- Board of Directors or Board
- Director
- Disclose
- Service Providers
- Series
- Series captive insurance company

Existing risk retention groups are required to comply with certain governance standards within one year of the effective date of this act. Risk retention groups licensed after the effective date are in compliance at the time of licensure. The measure provides the requirements and conditions for the Board of Directors of risk retention groups. The measure also requires the risk retention group to have an audit committee with certain conditions.

The risk retention group or purchasing group is required to pay a filing fee determined by the Commissioner for application of charter. At the time of application for charter, the risk retention group is required to provide the Commissioner a summary of certain information which will then be forwarded to the National Association of Insurance Commissioners. This will satisfy the requirements of Oklahoma law.

The measure requires each risk retention group to pay premium taxes and taxes on premiums of direct business for risk and report premiums for direct business for risks to the Commissioner. The measure removes the requirement of risk retention groups to pay the tax for risks insured within the state and the mandatory reporting of all premiums paid to it for risks insured within the state.

The measure adds “claimants against its insureds” to the list of entities prohibited from receiving any from any insurance insolvency guaranty fund or similar mechanism. The measure also specifies that when insurance is bought from insurers not authorized in the state, such risks will not be covered by any insurance guaranty fund or similar mechanism in the state.

The measure removes the exemption of a purchasing group being exempt from state law and modifies the provision to include a purchasing group and its insurer or insurers to be subject to all applicable laws of Oklahoma with the exception of any law of this state that would prohibit the establishment of a purchasing group in regards to liability insurance. Additionally, the measure prohibits an insurer from providing advantages to a purchasing group or its members based on the loss and expense experience of the group such as advantages on rates, policy forms and coverage that is not afforded to other persons or entities.

A purchasing group which intends to do business in the state is required to list all other states in which the group intends to do business with to the Insurance Commissioner. The measure also clarifies that individuals, firms, associations, or corporations are prohibited from soliciting, negotiating or procuring liability insurance from an insurer not authorized to do business in the state of Oklahoma.

The measure requires a special purpose captive insurance company to pay the Department of Insurance a non-refundable fee of three-hundred dollars (\$300.00) for reviewing its application to determine whether it is complete. The measure requires the Insurance Commissioner to specify the amount relating to the minimum capital and surplus of a series captive insurance company.

Certain papers relating to mergers, consolidation, conversion, mutualization and change of control are confidential and not subject to subpoena or distribution with an exception relating to the authority of the Commissioner under Oklahoma law.

The measure requires modifications, assets and liabilities by use of GAAP accounting principles to be reported with certain requirements. The measure requires modifications, assets and liabilities to be reported with certain conditions. Each series captive insurance company is required to pay a minimum aggregate tax of three-thousand five-hundred dollars (\$3,500.00). Lastly, the measure provides conditions for annual maximum tax premiums.

Prepared By: Dan Brooks

Fiscal Analysis

According to officials at the Oklahoma Insurance Department, SB 1035 in its current form will not create a fiscal impact for OID. As OID is a nonappropriated agency, it should not create a fiscal impact for the State either.

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Other Considerations

None.

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