

No. 2012-51

AN ACT

HB 2134

Amending the act of May 17, 1921 (P.L.789, No.285), entitled, as amended, "An act relating to insurance; establishing an insurance department; and amending, revising, and consolidating the law relating to the licensing, qualification, regulation, examination, suspension, and dissolution of insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and certain societies and orders, the examination and regulation of fire insurance rating bureaus, and the licensing and regulation of insurance agents and brokers; the service of legal process upon foreign insurance companies, associations or exchanges; providing penalties, and repealing existing laws," further providing for definitions, for exemptions and for supplemental provisions and rules.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The definitions of "company action level event" and "life or health insurer" in section 501-A of the act of May 17, 1921 (P.L.789, No.285), known as The Insurance Department Act of 1921, amended or added June 25, 1997 (P.L.349, No.40) and July 4, 2008 (P.L.291, No.37), are amended to read:

Section 501-A. Definitions.

The following words and phrases when used in this article shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

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"Company action level event" means one or more of the following events:

- (1) The filing of an RBC report by an insurer that indicates that:
 - (i) the insurer's total adjusted capital is greater than or equal to its regulatory action level RBC but less than its company action level RBC;
 - (ii) if a life or health insurer, the insurer has total adjusted capital that is greater than or equal to its company action level RBC but less than the product of its authorized control level RBC and [2.5] 3.0 and has a negative trend; or
 - (iii) if a property or casualty insurer, the insurer has total adjusted capital that is greater than or equal to its company action level RBC but less than the product of its authorized control level RBC and 3.0 and a trend test result that triggers regulatory attention, as determined in accordance with the Trend Test Calculation included in the RBC instructions.

(2) The notification by the Insurance Commissioner to the insurer of an adjusted RBC report that indicates an event in paragraph (1).

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"Life or health insurer" means a stock or mutual insurance company, association [or], exchange *or fraternal benefit society* licensed by the Insurance Department to transact life or accident and health insurance coverages or both.

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Section 2. Sections 513-A and 514-A of the act, added June 25, 1997 (P.L.349, No.40), are amended to read:

Section 513-A. Exemptions.—(a) The following insurers are exempt from this article:

- (1) Monoline mortgage guaranty insurers.
- (2) Financial guaranty insurers.
- (3) Title insurers.
- (4) ***Foreign or alien fraternal benefit societies.***

(b) A domestic property or casualty insurer that meets all of the following conditions is exempt from this article unless the commissioner makes a specific finding that application of this article to the insurer is necessary for the commissioner to carry out statutory responsibilities:

- (1) Writes direct business only in this Commonwealth.
- (2) Writes direct annual premiums of ten million dollars (\$10,000,000) or less or such higher amount as the commissioner may order in five-year intervals as necessary to reflect the impact of inflationary factors.
- (3) Assumes no reinsurance in excess of five per centum of direct premium written except for assumed reinsurance of business directly written in this Commonwealth if the assuming insurer's total annual net written premium, direct plus assumed minus ceded, is ten million dollars (\$10,000,000) or less.

Section 514-A. Supplemental Provisions; Rules.—(a) The provisions of this article are supplemental to any other provisions of the laws of this Commonwealth and shall not preclude or limit any other powers or duties of the commissioner under those laws, including, but not limited to, Article V and 31 Pa. Code Ch. 160 (relating to standards to define insurers deemed to be in hazardous financial condition)[.] ***and Article XXIV of the act of May 17, 1921 (P.L.682, No.284), known as "The Insurance Company Law of 1921."***

(b) The commissioner may adopt regulations necessary for the implementation of this article.

Section 3. The definition of "company action level event" in section 501-B of the act, added June 22, 2000 (P.L.457, No.62), is amended to read:

Section 501-B. Definitions.—The following words and phrases when used in this article shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

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"Company action level event" means any of the following events:

- (1) Filing of an RBC report that indicates that the health organization's total adjusted capital is greater than or equal to its regulatory action level RBC but less than its company action level RBC.

(1.1) Filing of an RBC report that indicates the health organization's total adjusted capital is greater than or equal to its company action level RBC but less than the product of its authorized control level RBC and 3.0 and the health organization's trend test result triggers regulatory attention, as determined in accordance with the Trend Test Calculation included in the RBC instructions.

- (2) Notification by the Insurance Department to a health organization of an adjusted RBC report that indicates an event under paragraph (1) ***or (1.1).***

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Section 4. This act shall take effect in 60 days.

APPROVED—The 22nd day of May, A.D. 2012

TOM CORBETT