



HOUSE BILL 383: NAIC Model/Own Risk and Solvency Assessment.

2017-2018 General Assembly

Committee:	House Insurance	Date:	April 11, 2017
Introduced by:	Reps. Setzer, Bumgardner, Henson, Destin Hall	Prepared by:	Kristen L. Harris Committee Co-Counsel
Analysis of:	First Edition		

OVERVIEW: *House Bill 383 would enact legislative changes to North Carolina's insurance laws to comply with the National Association of Insurance Commissioners (NAIC) and allow the North Carolina Department of Insurance to maintain its NAIC accreditation.*

Specifically, House Bill 383 would enact a new insurance regulation, Own Risk and Solvency Assessment (ORSA), which would require an insurer to perform an internal assessment of its material and relevant risks and the sufficiency of its capital resources to support its risks.

[As introduced, this bill was identical to S295, as introduced by Sens. Meredith, Newton, Dunn, which is currently in Senate Rules and Operations of the Senate.]

BACKGROUND: The National Association of Insurance Commissioners is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia, and the five U.S. territories. The formal certification program began in June 1990. North Carolina has been accredited since 1991. All fifty states, the District of Columbia, and Puerto Rico are currently accredited.

CURRENT LAW: Chapter 58 of the General Statutes governs North Carolina's insurance laws. Currently, the provisions in Chapter 58 meet NAIC requirements.

BILL ANALYSIS: House Bill 383 would create a new Part 10 in Article 10 [Miscellaneous Insurer Financial Provisions] of Chapter 58 of the General Statutes, entitled "Risk Management and Own Risk and Solvency Assessment".

Section 1 would incorporate language from the NAIC's Risk Management and Own Risk and Solvency Assessment Model Act into Chapter 58.

G.S. 58-10-705 Definitions.

- Would set forth the definitions that apply in the new Part.
- Would define "ORSA" as a confidential internal assessment conducted by an insurer or insurance group of the material and relevant risks associated with the insurer's or insurance group's current business plan, and the sufficiency of its capital resources to support those risks.
- Would define "ORSA Summary Report" as a confidential high-level summary of an insurer's or insurance group's ORSA, or a combination of reports, that contains the information contained in the ORSA Guidance Manual.

G.S. 58-10-710 Risk Management Framework.

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- Would require an insurer, or an insurer's insurance group, to maintain a risk management framework to assist in auditing its material and relevant risks.

G.S. 58-10-715 ORSA Requirement.

- Would require an insurer to conduct an ORSA regularly and at least annually and when there are significant changes to its risk profile. The ORSA would have to be conducted in accordance with the ORSA Guidance Manual.

G.S. 58-10-720 ORSA Summary Report.

- Would require an insurer to submit an ORSA summary report to the Commissioner no more than once a year only under certain circumstances.
- Would require the attestation that the proper process was followed in preparing the report and that a copy was given to the appropriate board of directors.
- Would authorize the submission of substantially similar and recent reports with comparable information as described in the ORSA Guidance Manual in lieu of the ORSA summary report.

G.S. 58-10-725 Exemption.

- Would exempt an insurer from the ORSA requirements if the insurer has an annual direct written and unaffiliated assumed premium less than five hundred million dollars and the insurer's insurance group has an annual direct written and unaffiliated assumed premium less than one billion dollars.
- Would allow an insurer that does not qualify for an exemption to apply for a waiver from the ORSA requirements based upon unique circumstances. The Commissioner would be able to consider various factors in his determination.
- Would require an insurer that no longer qualifies for an exemption to comply with the ORSA requirements within one year following the year the premium threshold was exceeded.

G.S. 58-10-730 Contents of ORSA Summary Report.

- Would require the ORSA summary report be prepared in accordance with the ORSA Guidance Manual and the review of the report be consistent with procedures used in the analysis and examination of multistate or global insurers and insurance groups.

G.S. 58-10-735 Confidentiality.

- Would classify an ORSA summary report and related documents and information as proprietary, confidential, and not public records.
- Would authorize the Commissioner, under certain circumstances, to use, share, or receive ORSA-related documents and information. For example, the Commissioner would be able to use the documents or information as part of his official duties and share and receive documents with other regulatory agencies and the NAIC.
- Would direct the Commissioner to enter into a written agreement with the NAIC or a third-party consultant that governed the sharing and use of ORSA-related information.

G.S. 58-10-740 Sanctions.

- Would subject an insurer that failed to file a timely ORSA report to a \$100.00 per day fine for each day's delay, not to exceed a total penalty of \$1,000.00.

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G.S. 58-10-745 Severability Clause.

- Would make the provisions of the new Part severable.

EFFECTIVE DATE: This act becomes effective January 1, 2018. The Commissioner may request filing of a report under G.S. 58-10-720, as enacted by Section 1 of this act, on or after that date.

* *The Department of Insurance contributed to this summary.*