

HB 1336 -- INSURANCE HOLDING COMPANIES

SPONSOR: Gosen

This bill changes laws regarding insurance holding companies. In its main provisions the bill:

(1) Expands the authority of the Director of the Department of Insurance, Financial Institutions and Professional Registration to assess the financial stability and risk of insurance holding companies. The director may seek information relevant to the determination of "enterprise risk" which is defined in terms of systematic financial risks that threaten to deplete capital under section 375.1225 or create a hazardous financial condition under section 375.359. The director may order the production of information, issue subpoenas, and impose a fine up to \$1000 per day in order to obtain relevant information that may legally be obtained by insurance holding companies. The director may disapprove dividends or distributions if violations of the bill result in an a failure to gain understanding of enterprise risk. The director may also require additional registration information such as financial interest statements from affiliates and board of governance member statements as specified in the bill. An ultimate controlling individual in each insurance holding company will be required to file an annual enterprise risk report with the director. There will be a 30 day period for the director to approve or disapprove requests for exemption from registration and reporting requirements on the basis of non-affiliation;

(2) Requires those divesting controlling interests in domestic insurers to provide notice to the director in a manner similar to the current requirement for providing notice of acquisitions of controlling interests;

(3) Increases the amount that insurance companies can invest in subsidiaries from 5% to 10%;

(4) Requires a person acquiring a controlling interest to file annual reports with the director and pledge the cooperation of insurers and their subsidiaries with financial stability and enterprise risk evaluations;

(5) Allows consolidated hearings on mergers if more than one state insurance commissioner is required to approve a merger or acquisition. The director has 60 days to determine the requisite capital levels to be maintained in cases of merger and whether or not compliance with Missouri law is required. Companies acquired by Missouri insurers may be subject to Missouri law and will no longer be exempt;

(6) Requires accounting documentation to support the reasonableness of fees, charges, and other transactions conducted between affiliated insurers. Other criteria for director supervision of affiliated insurer practices are specified in the bill;

(7) Allows the director to require certain insurers to participate in a supervisory college that regulates international holding companies. The insurer members will provide reasonable expenses for the director's participation in the supervisory college; and

(8) Contains regulations for the reporting and disclosure of information between the director and the National Association of Insurance Commissioners or other regulatory bodies, and grants the director immunity from subpoenas and testimony requests for private civil actions.