

Bill Summary

COMMITTEE: Banking and Insurance

DATE: 6/19/13

PRIME SPONSOR: Micozzie

BILL NO: HB1481

PREPARED BY: Allison Dutrey

PRINTER'S NO: 2062

A. Synopsis:

HB1481 provides for risk management and Own Risk Solvency Assessment (ORSA).

A. Summary:

HB1481 requires insurers to maintain a risk management framework and complete an ORSA. It sets forth requirements for filing an ORSA summary report, and provides for confidentiality.

The purpose of an ORSA is to ensure the company has developed a risk management policy that clearly identifies material risks and the amount of material risks the company is exposed to. The ORSA is essentially an internal assessment of the risks associated with an insurer's current business plan, and the sufficiency of capital resources to support those risks. The ORSA has two primary goals:

- o To foster an effective level of enterprise risk management at all insurers, through which each insurer identifies and quantifies its material and relevant risks, using techniques that are appropriate to the nature, scale and complexity of the insurer's risks, in a manner that is adequate to support risk and capital decisions; and
- o To provide a group-level perspective on risk and capital, as a supplement to the existing legal entity view.

HB1481 states insurers must conduct an ORSA consistent with the guidelines set forth in the ORSA guidance manual. The ORSA shall be conducted no less than annually, and at any time when there are significant changes to the risk profile of the insurer or the insurance group of which the insurer is a member.

Instructions for conducting a summary report are in this bill, along with exemptions and penalties for not filing in a timely manner.

This legislation is based on a model law developed by the National Association of Insurance Commissioners (NAIC) and included in the NAIC's Financial Regulation Standards and Accreditation Program.

Effective January 1, 2015.