

Bill Summary

COMMITTEE: Banking and Insurance **DATE:** 4/11/11
PRIME SPONSOR: D. White **BILL NO:** SB 118
PREPARED BY: Anne Achenbach **PRINTER'S NO:** 96

A. Synopsis:

SB 118 amends Pennsylvania's Risk-Based Capital (RBC) statute for health organizations and adds a trend test component. This bill would require health insurers to more quickly formulate corrective action plans to address solvency issues before regulatory action becomes necessary.

B. Summary:

This initiative would amend Pennsylvania's RBC statute for health organizations at section 501-B (definitions) of The Insurance Department Act of 1921 (40 P.S. § 221.1-B). This section includes definitions of RBC levels that trigger corrective and regulatory actions to address indications that an insurer's capitalization is weak or deteriorating. The first action level, the company action level event, requires the insurer to submit a confidential corrective plan to the Insurance Commissioner. The plan must identify the conditions that contributed to the action level event and include proposals for eliminating the event.

The proposed amendment would amend the definition of "company action level event" to add a trend test component. The new component would apply when an insurer's RBC results trigger regulatory attention using a new trend test calculation in the NAIC's RBC instructions for year-end financial results. Existing RBC requirements for other types of life or health and property or casualty insurers include trend test components in defining a "company action level event."

This act will take effect in 60 days.