



January 30, 2015

HOUSE BILL No. 1341

DIGEST OF HB 1341 (Updated January 28, 2015 12:15 pm - DI 97)

Citations Affected: IC 27-1; IC 27-7; IC 27-8; IC 27-17; IC 36-8.

Synopsis: Insurance matters. Corrects a conflict concerning payment of expenses of the department of insurance (department) from the general fund. Amends the law concerning internal audits of domestic insurer and insurer group financial statements. Requires an insurer or insurance group to file with the commissioner of insurance an annual corporate governance disclosure. Specifies requirements concerning use and disclosure of information related to the annual corporate governance disclosure. Removes a requirement for placement of the insurance commissioner's (commissioner) signature on approval of a proposed insurer. Defines "designated home state license" and provides for the licensure for certain out of state insurance producers. Specifies a designated home state license fee. Adds certain: (1) guarantees made by an insurer; and (2) acquisitions or investments; to the list of transactions between a domestic insurer and another person in an insurance holding company system that require prior notice to the commissioner. Repeals and replaces a section of the public adjuster law concerning public adjuster violations and penalties. Excludes information related to title insurance from the law concerning electronic posting or delivery of insurance notices and documents.
(Continued next page)

Effective: July 1, 2015; January 1, 2016.

Lehman, Hale, Hamm

January 13, 2015, read first time and referred to Committee on Insurance.
January 29, 2015, amended, reported — Do Pass.

HB 1341—LS 7048/DI 97



Digest Continued

Removes a requirement that a policy insure more than four automobiles for purposes of application of the law concerning cancellation of automobile insurance policies. Provides for issuance of group casualty and liability insurance in certain circumstances. Allows the department to adopt emergency rules to conform the definition of "small employer" to conform to federal law. Provides for registration renewal annually on the last day of the month of issuance, rather than on June 30 of each year, for claim review agents and utilization review agents. Removes an annual reporting requirement by the police benefit fund to the department of insurance.

HB 1341—LS 7048/DI 97



January 30, 2015

First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

HOUSE BILL No. 1341

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 27-1-3-16 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 16. All taxes provided
3 by this article and all fees accruing to the department as provided in
4 this article shall be paid into the state treasury monthly. ~~All expenses~~
5 ~~incurred and all compensation paid by the department in the~~
6 ~~administration of this article shall be paid out of the general fund; in~~
7 ~~the same manner as other state expense and compensation are paid.~~
8 SECTION 2. IC 27-1-3.5-0.5 IS ADDED TO THE INDIANA
9 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
10 [EFFECTIVE JULY 1, 2015]: **Sec. 0.5. (a) As used in this chapter,**
11 **"audit committee" means a body established by the board of**
12 **directors of a domestic insurer or group of insurers for the purpose**
13 **of overseeing:**
14 (1) **the accounting and financial reporting processes;**
15 (2) **external audits of financial statements; and**

HB 1341—LS 7048/DI 97



1 **(3) the internal audit function;**
 2 **of a domestic insurer or group of insurers.**

3 **(b) For purposes of this chapter, the audit committee of an**
 4 **insurance holding company system is considered to be the audit**
 5 **committee of a group of insurers that are members of the**
 6 **insurance holding company system, at the election of the insurance**
 7 **holding company system.**

8 **(c) For purposes of this chapter, if a board of directors does not**
 9 **establish an audit committee, the entire board of directors**
 10 **constitutes the audit committee.**

11 SECTION 3. IC 27-1-3.5-2.6 IS ADDED TO THE INDIANA
 12 CODE AS A NEW SECTION TO READ AS FOLLOWS
 13 [EFFECTIVE JULY 1, 2015]: **Sec. 2.6. As used in this chapter,**
 14 **"group of insurers" means two (2) or more insurers that are part**
 15 **of an insurance holding company system.**

16 SECTION 4. IC 27-1-3.5-3.1 IS ADDED TO THE INDIANA
 17 CODE AS A NEW SECTION TO READ AS FOLLOWS
 18 [EFFECTIVE JULY 1, 2015]: **Sec. 3.1. As used in this chapter,**
 19 **"insurance holding company system" has the meaning set forth in**
 20 **IC 27-1-23-1.**

21 SECTION 5. IC 27-1-3.5-3.2 IS ADDED TO THE INDIANA
 22 CODE AS A NEW SECTION TO READ AS FOLLOWS
 23 [EFFECTIVE JULY 1, 2015]: **Sec. 3.2. As used in this chapter,**
 24 **"internal audit function" means a process that provides**
 25 **independent, objective, and reasonable assurance that is designed**
 26 **to:**

27 **(1) add value to and improve a domestic insurer's or group of**
 28 **insurers' operations; and**

29 **(2) accomplish the domestic insurer's or group of insurers'**
 30 **objectives;**

31 **through introduction of a systematic, disciplined approach to the**
 32 **evaluation and improvement of the effectiveness of risk**
 33 **management, control, and governance processes.**

34 SECTION 6. IC 27-1-3.5-3.3 IS ADDED TO THE INDIANA
 35 CODE AS A NEW SECTION TO READ AS FOLLOWS
 36 [EFFECTIVE JULY 1, 2015]: **Sec. 3.3. As used in this chapter,**
 37 **"internal control over financial reporting" means a process**
 38 **effected by a domestic insurer's board of directors, management,**
 39 **or other personnel that is designed to provide reasonable assurance**
 40 **regarding the reliability of financial statements of the domestic**
 41 **insurer, including the following:**

42 **(1) The items specified in section 7(c)(2) through section**



1 7(c)(6) and section 7(d) of this chapter.

2 **(2) Policies and procedures that do the following:**

3 **(A) Pertain to the maintenance of records that, in**
 4 **reasonable detail, accurately and fairly reflect transactions**
 5 **and deposit of assets.**

6 **(B) Provide reasonable assurance that:**

7 **(i) transactions are recorded as necessary to permit**
 8 **preparation of the financial statements; and**

9 **(ii) receipts and expenditures are made only in**
 10 **accordance with the authorization of management and**
 11 **the board of directors.**

12 **(C) Provide reasonable assurance regarding prevention or**
 13 **timely detection of unauthorized acquisition, use, or**
 14 **disposition of assets that may have a material effect on the**
 15 **financial statements.**

16 SECTION 7. IC 27-1-3.5-3.4 IS ADDED TO THE INDIANA
 17 CODE AS A NEW SECTION TO READ AS FOLLOWS
 18 [EFFECTIVE JULY 1, 2015]: **Sec. 3.4. As used in this chapter,**
 19 **"Section 404" refers to Section 404 of the federal Sarbanes-Oxley**
 20 **Act of 2002 (Public Law 107-204).**

21 SECTION 8. IC 27-1-3.5-3.5 IS REPEALED [EFFECTIVE JULY
 22 1, 2015]. **Sec. 3.5. As used in this chapter, "significant deficiency"**
 23 **means a reportable condition described in the Professional Standards**
 24 **of the American Institute of Certified Public Accountants.**

25 SECTION 9. IC 27-1-3.5-3.6 IS ADDED TO THE INDIANA
 26 CODE AS A NEW SECTION TO READ AS FOLLOWS
 27 [EFFECTIVE JULY 1, 2015]: **Sec. 3.6. As used in this chapter,**
 28 **"Section 404 report" means a domestic insurer's or group of**
 29 **insurers' management's report on internal control over financial**
 30 **reporting (as defined by the federal Securities and Exchange**
 31 **Commission) and the related attestation report of an independent**
 32 **auditor.**

33 SECTION 10. IC 27-1-3.5-3.7 IS ADDED TO THE INDIANA
 34 CODE AS A NEW SECTION TO READ AS FOLLOWS
 35 [EFFECTIVE JULY 1, 2015]: **Sec. 3.7. As used in this chapter,**
 36 **"SOX compliant entity" means an entity that is required to be**
 37 **compliant, or is voluntarily compliant, with all of the following**
 38 **provisions of the federal Sarbanes-Oxley Act of 2002 (Public Law**
 39 **107-204):**

40 **(1) The preapproval requirements of Section 201.**

41 **(2) The audit committee independence requirements of**
 42 **Section 301.**



1 **(3) The internal control over financial reporting requirements**
 2 **of Section 404.**

3 SECTION 11. IC 27-1-3.5-5 IS AMENDED TO READ AS
 4 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 5. (a) Except as
 5 provided in subsections (b) and (c), this chapter applies to all domestic
 6 insurers.

7 (b) A domestic insurer that has:

8 (1) direct written premiums of less than one million dollars
 9 (\$1,000,000) in any calendar year; ~~and~~

10 (2) less than one thousand (1,000) policyholders or certificate
 11 holders of directly written policies nationwide at the end of a
 12 calendar year; **and**

13 **(3) assumed premiums under contracts or treaties of**
 14 **reinsurance of less than one million dollars (\$1,000,000);**

15 is exempt from this chapter with respect to that year. However, the
 16 commissioner may require compliance with this chapter upon a finding
 17 that compliance with this chapter is necessary for the commissioner to
 18 carry out a statutory responsibility.

19 (c) A foreign or an alien insurer that files an audited financial report
 20 in another state or country pursuant to that state's or country's
 21 requirement for audited financial reports is exempt, with respect to the
 22 year of that audited financial report, from the requirement to file an
 23 audited financial report with the commissioner under this chapter, if:

24 (1) the commissioner has found the other state's or country's
 25 requirement for audited financial reports to be substantially
 26 similar to the requirements of this chapter;

27 (2) copies of the audited financial report, ~~the report on significant~~
 28 ~~deficiencies in internal controls;~~ **a communication of internal**
 29 **control related matters noted in an audit**, and the accountant's
 30 letter of qualifications filed with the other state or country are
 31 filed with the commissioner in accordance with the filing ~~dates~~
 32 **requirements** set forth in sections **6, 8, and 12** ~~and 12.5~~ of this
 33 chapter; and

34 (3) a copy of a notification of an adverse financial condition
 35 report that is filed with the other state is filed with the
 36 commissioner within the time specified in section 11 of this
 37 chapter.

38 This subsection does not prevent the commissioner from ordering,
 39 conducting, or performing examinations of foreign or alien insurers
 40 under the rules, regulations, and practices of the department.

41 SECTION 12. IC 27-1-3.5-7 IS AMENDED TO READ AS
 42 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 7. (a) The annual



1 audited financial report filed by a domestic insurer under this chapter
2 shall report:

3 (1) the financial position of the domestic insurer as of the end of
4 the most recently ended calendar year; and

5 (2) the results of the domestic insurer's operations, cash flow, and
6 changes in capital and surplus for that year;

7 in conformity with statutory accounting practices prescribed, or
8 otherwise permitted, by the department of insurance.

9 (b) The financial statements included in the annual audited financial
10 report filed by a domestic insurer under this chapter shall be examined
11 by an independent auditor. The independent auditor shall conduct its
12 examination of the domestic insurer's financial statements in
13 accordance with generally accepted auditing standards, and shall
14 consider such other procedures illustrated in the Financial Condition
15 Examiner's Handbook published by the National Association of
16 Insurance Commissioners as the independent auditor considers
17 necessary.

18 (c) An annual audited financial report filed by a domestic insurer
19 under this chapter must include the following:

20 (1) The report of the insurer's independent auditor.

21 (2) A balance sheet reporting admitted assets, liabilities, capital,
22 and surplus.

23 (3) A statement of operations.

24 (4) A statement of cash flow.

25 (5) A statement of changes in capital and surplus.

26 (6) Notes to financial statements. The notes must be those
27 required by the National Association of Insurance Commissioners'
28 annual statement instructions and any other notes required by
29 statutory accounting practices, which must include the following:

30 ~~(A)~~ a reconciliation of differences, if any, between the
31 financial statements included in the audited financial report
32 and the annual statement filed by the insurer under
33 IC 27-1-20-21, including a written description of the nature of
34 these differences.

35 ~~(B) A summary of the ownership and relationships of the
36 domestic insurer and all affiliated companies.~~

37 (d) The financial statements included in a domestic insurer's audited
38 financial report shall be prepared in the same form, and using language
39 and groupings substantially the same, as the relevant sections of the
40 annual statement of the insurer filed with the commissioner under
41 IC 27-1-20-21.

42 (e) The financial statements included in a domestic insurer's audited



1 financial report must be comparative, presenting the amounts as of
 2 December 31 of the year of the report and comparative amounts as of
 3 the immediately preceding December 31. However, in the first year in
 4 which an insurer is required to file an audited financial report under
 5 this chapter, the comparative data may be omitted.

6 SECTION 13. IC 27-1-3.5-9, AS AMENDED BY P.L.11-2011,
 7 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 8 JULY 1, 2015]: Sec. 9. (a) For the purposes of this chapter, the
 9 commissioner may not recognize as an independent auditor any
 10 individual or firm that is not:

11 (1) a certified public accountant (if an individual) or made up of
 12 certified public accountants (if a firm); or

13 (2) in good standing with:

14 (A) the American Institute of Certified Public Accountants;
 15 and

16 (B) all of the authorities that license certified public
 17 accountants and certified public accounting firms in the states
 18 in which the individual or firm is licensed to practice.

19 (b) A partner or other individual responsible for rendering a report
 20 may not act in that capacity for more than five (5) consecutive years.
 21 An individual who has been responsible for rendering a report for five
 22 (5) years is disqualified from acting in that or a similar capacity for the
 23 same company or its insurance subsidiaries or affiliates for five (5)
 24 years. A domestic insurer may apply to the commissioner and request
 25 to be exempted from the five (5) year rotation requirement on the basis
 26 of unusual circumstances. The commissioner may consider the
 27 following factors in determining if relief should be granted:

28 (1) The number of partners, expertise of the partners, or number
 29 of insurance clients in the currently registered firm.

30 (2) The premium volume of the domestic insurer.

31 (3) The number of jurisdictions in which the domestic insurer
 32 transacts business.

33 (c) The commissioner may not recognize as an independent auditor
 34 or accept an annual audited financial report prepared in whole or part
 35 by a person who:

36 (1) has been convicted of fraud, bribery, a violation of the
 37 Racketeer Influenced and Corrupt Organizations Act under
 38 federal law (18 U.S.C. 1961 through 1968) or state law
 39 (IC 35-45-6) or any dishonest conduct or practices under federal
 40 or state law;

41 (2) has been found to have violated the insurance law of this state
 42 with respect to any previous reports submitted under this chapter;



- 1 or
2 (3) has demonstrated a pattern or practice of failing to detect or
3 disclose material information in previous reports filed under this
4 chapter.
- 5 **(d) The commissioner shall not recognize as a qualified**
6 **independent certified public accountant, or accept an annual**
7 **audited financial report prepared in whole or in part by an**
8 **accountant that provides to a domestic insurer, contemporaneously**
9 **with the audit, any of the following nonaudit services:**
- 10 **(1) Bookkeeping or other services related to the accounting**
11 **records or financial statements of the domestic insurer.**
- 12 **(2) Financial information systems design or implementation.**
- 13 **(3) Appraisal or valuation services, fairness opinions, or**
14 **contribution-in-kind reports.**
- 15 **(4) Actuarially oriented advisory services involving the**
16 **determination of amounts recorded in the financial**
17 **statements. This does not include the following:**
- 18 **(A) The accountant assisting the domestic insurer to**
19 **understand the methods, assumptions, and inputs used in**
20 **the determination of amounts recorded in the financial**
21 **statement if it is reasonable to conclude that the assistance**
22 **provided is not subject to audit procedures during an audit**
23 **of the domestic insurer's financial statements.**
- 24 **(B) An accountant's actuary issuing an actuarial opinion or**
25 **certification concerning the domestic insurer's reserves if**
26 **the following apply:**
- 27 **(i) The accountant and the accountant's actuary have not**
28 **performed any management functions or made any**
29 **management decisions.**
- 30 **(ii) The domestic insurer has competent personnel, or**
31 **engages a third party actuary, to estimate the reserves**
32 **for which management takes responsibility.**
- 33 **(iii) The accountant's actuary tests the reasonableness of**
34 **the reserves after the domestic insurer's management**
35 **has determined the amount of the reserves.**
- 36 **(5) Internal audit outsourcing services.**
- 37 **(6) Management or human resources functions.**
- 38 **(7) Broker, dealer, investment adviser, or investment banking**
39 **services.**
- 40 **(8) Legal services or expert services unrelated to the audit.**
- 41 **(9) Any other services that the commissioner determines to be**
42 **impermissible in rules adopted under IC 4-22-2.**



1 (e) In making a determination under subsection (d), the
 2 commissioner shall generally consider whether the accountant's
 3 independence has been impaired by any of the following, in which
 4 case the commissioner shall not recognize the accountant or accept
 5 the annual audited financial report from the accountant:

6 (1) Functioning in the role of management for the domestic
 7 insurer.

8 (2) Auditing the accountant's own work.

9 (3) Serving as an advocate for the domestic insurer.

10 (f) The commissioner may conduct a hearing under IC 4-21.5 to
 11 determine whether an independent auditor engaged by a domestic
 12 insurer is sufficiently independent of that domestic insurer to be
 13 capable of exercising independent judgment and expressing an
 14 objective opinion on the financial statements in the annual financial
 15 report filed by the insurer under this chapter. If the commissioner
 16 determines that the auditor is not sufficiently independent of the
 17 insurer, the commissioner shall require the insurer to replace the
 18 auditor with another that is sufficiently independent of the insurer.

19 SECTION 14. IC 27-1-3.5-12 IS AMENDED TO READ AS
 20 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 12. (a) A domestic
 21 insurer required by this chapter to file an **annual** audited financial
 22 report with the commissioner shall also furnish the commissioner with

23 ~~(1)~~ **(1)** a written report ~~(or a letter on reportable conditions)~~
 24 **communication** describing the significant deficiencies any
 25 **unremediated material weaknesses (as defined by the NAIC**
 26 **Statement on Auditing Standard 60, Communication of**
 27 **Internal Control Related Matters Noted in an Audit)** in the
 28 **domestic** insurer's internal control structure; ~~if internal control~~
 29 ~~deficiencies were over financial reporting as of the December~~
 30 **31 immediately preceding the audit (coinciding with the**
 31 **domestic insurer's annual audited financial report), noted by**
 32 ~~the domestic insurer's independent auditor in connection with its~~
 33 **during the audit. and**

34 ~~(2) a written discussion of any remedial action taken or proposed~~
 35 ~~in connection with the written report. If no unremediated~~
 36 **material weaknesses are noted during the audit, the**
 37 **communication must reflect that fact.**

38 (b) The written report **communication** and written discussion
 39 required under subsection (a) must be ~~filed~~ **prepared** not later than
 40 sixty (60) days after the filing of the annual audited financial
 41 ~~statements. report.~~

42 (c) If a description of remedial actions taken or proposed to



1 correct unremediated material weaknesses described under
 2 subsection (a) is not provided by the independent auditor, the
 3 domestic insurer shall provide a description of the remedial
 4 actions.

5 SECTION 15. IC 27-1-3.5-12.1 IS ADDED TO THE INDIANA
 6 CODE AS A NEW SECTION TO READ AS FOLLOWS
 7 [EFFECTIVE JULY 1, 2015]: Sec. 12.1. (a) As used in this section,
 8 "independent", with respect to a member of an audit committee,
 9 means that the member, other than in the member's capacity as a
 10 member of the audit committee, the board of directors, or another
 11 board committee:

12 (1) does not accept a consulting fee, an advisory fee, or
 13 another compensatory fee from the domestic insurer or group
 14 of insurers; and

15 (2) is not an affiliate of the domestic insurer or group of
 16 insurers.

17 (b) This section does not apply to any of the following:

18 (1) A foreign insurer or an alien insurer that possesses a
 19 certificate of authority.

20 (2) A domestic insurer that is a SOX compliant entity.

21 (3) A wholly-owned subsidiary of a SOX compliant entity.

22 (c) The audit committee of a domestic insurer or group of
 23 insurers is directly responsible for the:

24 (1) appointment;

25 (2) compensation; and

26 (3) oversight of the work;

27 of the domestic insurer's or group of insurers' accountant,
 28 including resolution of disagreements between management and
 29 the accountant concerning financial reporting, for the purpose of
 30 preparing or issuing an annual audited financial report or related
 31 work under this chapter. Each accountant reports directly to the
 32 audit committee.

33 (d) The audit committee of a domestic insurer or group of
 34 insurers is responsible for:

35 (1) oversight of the domestic insurer's or group of insurers'
 36 internal audit function; and

37 (2) granting the person that performs the internal audit
 38 function suitable authority and resources to fulfill the
 39 person's responsibilities if required by section 12.3 of this
 40 chapter.

41 (e) The following apply to the membership of an audit
 42 committee:



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- (1) Each member shall be:**
 - (A) a member of the board of directors of the domestic insurer; or**
 - (B) if the audit committee of the entity that controls a group of insurers serves as the audit committee of the domestic insurer or group of insurers, a member of the audit committee of the entity that controls the group of insurers.**
- (2) The percentage of independent members must meet the following minimum requirements:**
 - (A) If the domestic insurer had direct written and assumed premiums during the immediately preceding calendar year of less than three hundred million dollars (\$300,000,000), no minimum requirement applies.**
 - (B) If the domestic insurer had direct written and assumed premiums during the immediately preceding calendar year of at least three hundred million dollars (\$300,000,000) and less than five hundred million dollars (\$500,000,000), at least fifty percent (50%) of the members must be independent members.**
 - (C) If the domestic insurer had direct written and assumed premiums during the immediately preceding calendar year of at least five hundred million dollars (\$500,000,000), at least seventy-five percent (75%) of the members must be independent members.**
- (f) If:**
 - (1) state or federal law requires that a board of directors of a domestic insurer or group of insurers include otherwise nonindependent members; and**
 - (2) an otherwise nonindependent member is not an officer or employee of the domestic insurer, group of insurers, or an affiliate of the domestic insurer or group of insurers;**

the nonindependent member may serve as a member of an audit committee and be considered to be independent for audit committee purposes.
- (g) If:**
 - (1) a member of an audit committee of a domestic insurer ceases to be independent for reasons beyond the member's reasonable control; and**
 - (2) the domestic insurer notifies the department of the cessation of independence;**

the member may continue to serve as an audit committee member



1 until the next annual meeting of the domestic insurer or one (1)
 2 year after the date on which the member's independence ceased,
 3 whichever occurs first.

4 (h) The ultimate controlling person of a domestic insurer may
 5 designate the audit committee of the domestic insurer by providing
 6 written notice to each commissioner responsible for regulation of
 7 each affected insurer. The written notice must:

- 8 (1) be timely provided before the issuance of the annual
 9 audited financial report; and
 10 (2) include a description of the basis for the designation.

11 (i) A designation:

- 12 (1) under subsection (h) may be changed with written notice
 13 from the domestic insurer to the commissioner, including a
 14 description of the basis for the designation; and
 15 (2) under subsection (h) or this subsection remains in effect
 16 unless rescinded or changed.

17 (j) A domestic insurer's audit committee shall require the
 18 accountant that performs an audit required by this chapter to
 19 report to the audit committee in accordance with the requirements
 20 of AICPA Statements on Auditing Standards (SAS) 61,
 21 Communication with Audit Committees, or its replacement,
 22 including the following:

23 (1) All significant accounting policies and material permitted
 24 practices.

25 (2) All:

- 26 (A) material alternative treatments of financial
 27 information within statutory accounting principles that
 28 have been discussed with management officials of the
 29 domestic insurer; and
 30 (B) ramifications of the use of the alternative disclosures
 31 and treatments.

32 (3) The treatment described in subdivision (2) that is
 33 preferred by the accountant.

34 (4) Any other material written communication between the
 35 accountant and the management of the domestic insurer,
 36 including any management letter or schedule of unadjusted
 37 differences.

38 (k) If:

39 (1) a domestic insurer is a member of an insurance holding
 40 company system; and

41 (2) any substantial differences among insurers in the
 42 insurance holding company system are identified to the audit



1 committee;
2 the reports required by subsection (j) may be provided to the audit
3 committee on an aggregate basis for insurers in the holding
4 company system.

5 (l) If a domestic insurer has direct written and assumed
6 premiums (excluding premiums reinsured with the Federal Crop
7 Insurance Corporation and Federal Flood Program) of less than
8 five hundred million dollars (\$500,000,000), the domestic insurer
9 may apply to the commissioner for a waiver from the audit
10 committee requirements of section 12 of this chapter based on
11 hardship.

12 (m) A domestic insurer that receives a waiver under subsection
13 (l) shall file the waiver, with the domestic insurer's annual
14 statement filing, with the:

- 15 (1) commissioners of insurance in the states in which the
16 domestic insurer is licensed or doing insurance business; and
17 (2) National Association of Insurance Commissioners.

18 If another state has access to electronic filing with the National
19 Association of Insurance Commissioners, the domestic insurer
20 shall file the waiver with the other state electronically in
21 accordance with National Association of Insurance Commissioners
22 electronic filing specifications.

23 SECTION 16. IC 27-1-3.5-12.3 IS ADDED TO THE INDIANA
24 CODE AS A NEW SECTION TO READ AS FOLLOWS
25 [EFFECTIVE JANUARY 1, 2016]: Sec. 12.3. (a) This section does
26 not apply to a domestic insurer that meets one (1) of the following
27 requirements:

28 (1) The domestic insurer has annual direct written and
29 unaffiliated assumed premiums (including international direct
30 and assumed premiums and excluding premiums reinsured
31 with the Federal Crop Insurance Corporation and Federal
32 Flood Program) of less than five hundred million dollars
33 (\$500,000,000).

34 (2) The domestic insurer is a member of a group of insurers
35 that has annual direct written and unaffiliated assumed
36 premiums (including international direct and assumed
37 premiums and excluding premiums reinsured with the
38 Federal Crop Insurance Corporation and Federal Flood
39 Program) of less than one billion dollars (\$1,000,000,000).

40 A domestic insurer or group of insurers described in this
41 subsection shall comply with the requirements of this section not
42 later than one (1) year after the year in which the domestic



1 insurer's or group's annual direct written and unaffiliated assumed
 2 premiums described in subdivisions (1) and (2) exceed the
 3 applicable maximum amount specified in subdivision (1) or (2).

4 (b) A domestic insurer shall establish an internal audit function
 5 to:

6 (1) provide independent, objective, and reasonable assurance
 7 to the domestic insurer's audit committee and management
 8 concerning the domestic insurer's governance, risk
 9 management, and internal controls;

10 (2) perform general and specific audits, reviews, and tests;
 11 and

12 (3) use other techniques considered necessary to protect
 13 assets, evaluate control effectiveness and efficiency, and
 14 evaluate compliance with policies and regulations.

15 (c) An internal audit function established under subsection (b)
 16 must be organizationally independent, as follows:

17 (1) Ultimate judgment concerning audit matters must be
 18 made by the department responsible for the internal audit
 19 function.

20 (2) The department responsible for the internal audit function
 21 shall appoint an individual:

22 (A) to be responsible for the internal audit function; and

23 (B) to have direct and unrestricted access to the board of
 24 directors of the domestic insurer.

25 The internal audit function's organizational independence does not
 26 preclude dual reporting relationships.

27 (d) The director of the internal audit function shall report to the
 28 audit committee of a domestic insurer on a regular basis, at least
 29 annually, concerning the following:

30 (1) The internal audit function's periodic audit plan.

31 (2) Factors that may adversely affect the internal audit
 32 function's independence or effectiveness.

33 (3) Material findings from completed audits.

34 (4) The appropriateness of corrective actions implemented by
 35 management as a result of audit findings.

36 (e) If a domestic insurer is a member of an insurance holding
 37 company system or a member of a group of insurers, the domestic
 38 insurer may satisfy the internal audit function requirements of this
 39 section at the ultimate controlling person level, an intermediate
 40 holding company level, or an individual legal entity level.

41 SECTION 17. IC 27-1-3.5-12.5 IS AMENDED TO READ AS
 42 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 12.5. ~~The independent~~



1 auditor shall furnish the (a) A domestic insurer in connection with and
 2 for inclusion in the filing of the **that is required to file an** annual
 3 audited financial report a letter stating the following:

4 (1) That the independent auditor is independent with respect to
 5 the insurer and conforms to the standards of the independent
 6 auditor's profession as contained in the Code of Professional
 7 Ethics and Pronouncements of the American Institute of Certified
 8 Public Accountants and the rules of Professional Conduct of the
 9 Indiana State Board of Accountancy.

10 (2) The:

11 (A) general background and experience; and

12 (B) experience in audits of insurers;

13 of the staff assigned to the audit. The letter must also state
 14 whether each member of the staff is a certified public accountant.
 15 This subdivision does not prohibit the independent auditor from
 16 using the staff considered appropriate where such use is
 17 consistent with the standards prescribed by generally accepted
 18 auditing standards.

19 (3) That the independent auditor understands that the
 20 commissioner will be relying on the independent auditor's annual
 21 audited financial report and the independent auditor's opinion in
 22 the report for the monitoring and regulation of the financial
 23 positions of the insurers.

24 (4) That the independent auditor consents to the requirements of
 25 section 13 of this chapter and agrees to make available for review
 26 by the commissioner, the commissioner's designee, or the
 27 commissioner's appointed agent, any of the independent auditor's
 28 work papers and significant communications.

29 (5) That the independent auditor is properly licensed by an
 30 appropriate state licensing authority and is a member in good
 31 standing in the American Institute of Certified Public
 32 Accountants.

33 (6) That the independent auditor is in compliance with the
 34 requirements of section 9 of **under** this chapter **that has annual**
 35 **direct written and assumed premiums (excluding premiums**
 36 **reinsured with the Federal Crop Insurance Corporation and**
 37 **Federal Flood Program) of at least five hundred million**
 38 **dollars (\$500,000,000) shall prepare a report of the domestic**
 39 **insurer's or group of insurers' management's internal control**
 40 **over financial reporting as of the immediately preceding**
 41 **December 31. The report shall be filed with the commissioner**
 42 **along with the communication of internal control related**



- 1 matters noted in an audit.
- 2 (b) The commissioner may require a domestic insurer that is:
- 3 (1) not described in subsection (a); and
- 4 (2) in a RBC level event described in IC 27-1-36 or considered
- 5 by the commissioner to be in hazardous financial condition (as
- 6 defined in rules adopted under IC 27-1-3-7);
- 7 to file a report of management's internal control over financial
- 8 reporting.
- 9 (c) If:
- 10 (1) a domestic insurer or group of insurers is:
- 11 (A) directly subject to Section 404;
- 12 (B) part of an insurance holding company system whose
- 13 parent is directly subject to Section 404;
- 14 (C) not directly subject to Section 404, but is a SOX
- 15 compliant entity; or
- 16 (D) part of an insurance holding company system whose
- 17 parent is not directly subject to Section 404, but is a SOX
- 18 compliant entity; and
- 19 (2) the domestic insurer's or group of insurers' internal
- 20 controls over financial reporting that have a material impact
- 21 on the preparation of the domestic insurer's or group of
- 22 insurers' annual audited financial statements are included in
- 23 the Section 404 report;
- 24 the domestic insurer or group of insurers may satisfy the
- 25 requirement of this section to file a report of management's
- 26 internal control over financial reporting by including with the
- 27 domestic insurer's or group of insurers' Section 404 report an
- 28 addendum described in subsection (d).
- 29 (d) An addendum described in subsection (c) must be a positive
- 30 statement by the domestic insurer's or group of insurers'
- 31 management that no internal controls over financial reporting that
- 32 have a material impact on the preparation of the domestic
- 33 insurer's or group of insurers' annual audited financial statements
- 34 exist, other than the internal controls that are included in the
- 35 Section 404 report.
- 36 (e) If:
- 37 (1) a domestic insurer or group of insurers is described in
- 38 subsection (c)(1); and
- 39 (2) the domestic insurer's or group of insurers' internal
- 40 controls over financial reporting that have a material impact
- 41 on the preparation of the domestic insurer's or group of
- 42 insurers' annual audited financial statements are not all



1 included in the Section 404 report;
2 the domestic insurer or group of insurers shall file a report of
3 management's internal control over financial reporting as required
4 by this section for the internal controls that have a material impact
5 and are not included in the Section 404 report.

6 (f) A domestic insurer's or group of insurers' report of
7 management's internal control over financial reporting required
8 by this section must include the following:

9 (1) A statement that management is responsible for
10 establishment and maintenance of adequate internal control
11 over financial reporting.

12 (2) A statement that management has established internal
13 control over financial reporting and an assertion of whether,
14 to the best of management's knowledge and belief after
15 diligent inquiry, management's internal control over financial
16 reporting is effective to provide reasonable assurance
17 regarding the reliability of financial statements in accordance
18 with statutory accounting principles.

19 (3) A statement that briefly describes the approach or
20 processes by which management evaluated the effectiveness
21 of management's internal control over financial reporting.

22 (4) A statement that briefly describes the scope of work that
23 is included in the report and whether any of management's
24 internal controls over financial reporting were excluded.

25 (5) Disclosure of any unremediated material weaknesses in the
26 management's internal control over financial reporting
27 identified by management as of the immediately preceding
28 December 31. The management may not conclude that the
29 internal control over financial reporting is effective to provide
30 reasonable assurance regarding the reliability of annual
31 audited financial statements in accordance with statutory
32 accounting principles if one (1) or more unremediated
33 material weaknesses exist in the management's internal
34 control over financial reporting.

35 (6) A statement regarding the inherent limitations of the
36 management's internal control over financial reporting.

37 (7) Signatures of the chief executive officer and the chief
38 financial officer, or equivalent position, of the domestic
39 insurer or group of insurers.

40 (g) A domestic insurer's or group of insurers' management shall
41 document and make available upon financial condition
42 examination the basis on which the management's assertions



1 described in subsection (f) are made. The management's assertions
 2 may be based, in part, upon the management's review, monitoring,
 3 and testing of internal controls over financial reporting that are
 4 undertaken in the normal course of the management's activities.
 5 The management may determine the nature of the internal control
 6 framework used and the nature and extent of documentation to
 7 make the management's assertion in a cost effective manner,
 8 including assembly of or reference to existing documentation.

9 (h) A report of management's internal control over financial
 10 reporting required by this section, and any supporting
 11 documentation provided during the course of a financial condition
 12 examination, is confidential.

13 SECTION 18. IC 27-1-4.1 IS ADDED TO THE INDIANA CODE
 14 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 15 JULY 1, 2015]:

16 **Chapter 4.1. Corporate Governance Annual Disclosure**

17 **Sec. 1. (a) This chapter applies beginning January 1, 2016.**

18 **(b) This chapter does not do the following:**

19 **(1) Impose corporate governance standards or internal**
 20 **procedures that are not otherwise required under IC 27.**

21 **(2) Limit the commissioner's authority, or the rights and**
 22 **obligations of third parties, under IC 27-1-3.1.**

23 **Sec. 2. As used in this chapter, "corporate governance annual**
 24 **disclosure" or "CGAD" means a confidential report filed by an**
 25 **insurer or insurance group under this chapter.**

26 **Sec. 3. As used in this chapter, "insurance group" means**
 27 **insurers and affiliates of an insurance holding company system (as**
 28 **defined in IC 27-1-23-1).**

29 **Sec. 4. As used in this chapter, "insurer" has the same meaning**
 30 **as set forth in IC 27-1-2-3, except that the term:**

31 **(1) refers only to domestic insurers (as defined in**
 32 **IC 27-1-36-8); and**

33 **(2) does not include agencies, authorities, or instrumentalities**
 34 **of the United States, possessions and territories of the United**
 35 **States, the Commonwealth of Puerto Rico, the District of**
 36 **Columbia, or a state or political subdivision of a state.**

37 **Sec. 5. As used in this chapter, "NAIC" refers to the National**
 38 **Association of Insurance Commissioners.**

39 **Sec. 6. (a) An insurer or insurance group of which the insurer**
 40 **is a member shall, not later than June 1 of each calendar year,**
 41 **submit:**

42 **(1) to the commissioner; or**



1 (2) if the insurer is a member of an insurance group, to the
 2 lead state commissioner of the insurance group (as
 3 determined by the procedures in the most recent Financial
 4 Analysis Handbook adopted by the NAIC) according to the
 5 law of the lead state;
 6 a CGAD.

7 (b) An insurer that is a member of an insurance group and not
 8 required to submit a CGAD to the commissioner under subsection
 9 (a) shall submit a CGAD to the commissioner upon the
 10 commissioner's request.

11 (c) A CGAD submitted under this section must include the
 12 signature of the insurer's or insurance group's chief executive
 13 officer or corporate secretary attesting that to the best of the chief
 14 executive officer's or corporate secretary's knowledge the insurer
 15 has:

- 16 (1) implemented corporate governance procedures; and
- 17 (2) provided a copy of the CGAD to the insurer's board of
- 18 directors or the appropriate committee of the board of
- 19 directors.

20 Sec. 7. (a) Subject to subsection (b), an insurer or insurance
 21 group may complete a CGAD using corporate governance
 22 information at the level of disclosure at which the insurer's or
 23 insurance group's system of corporate governance is structured, as
 24 follows:

- 25 (1) The ultimate controlling parent level.
- 26 (2) An intermediate holding company level.
- 27 (3) The individual legal entity level.

28 (b) An insurer or insurance group may, but is not required to,
 29 choose the level of disclosure at which to complete a CGAD under
 30 subsection (a) according to one (1) of the following criteria:

- 31 (1) The level at which the insurer's or insurance group's risk
 32 tolerance is determined.
- 33 (2) The level at which the insurer's or insurance group's
 34 earnings, capital, liquidity, operations, and reputation are:
 35 (A) collectively overseen; and
 36 (B) supervised.
- 37 (3) The level at which legal liability for failure of general
 38 corporate governance would be placed.

39 (c) If the insurer or insurance group chooses the level of
 40 disclosure at which to complete a CGAD under subsection (a)
 41 according to a criterion described in subsection (b), the insurer or
 42 insurance group shall:



- 1 (1) indicate which of the three (3) criteria was used to
- 2 determine the level of disclosure; and
- 3 (2) explain any change in the level of disclosure that is
- 4 subsequently used.
- 5 **Sec. 8. If a CGAD is submitted by an insurer as a member of an**
- 6 **insurance group, the lead state commissioner of the insurance**
- 7 **group (as determined by the procedures in the most recent**
- 8 **Financial Analysis Handbook adopted by the NAIC) shall:**
- 9 (1) review a CGAD submitted under section 6 of this chapter;
- 10 and
- 11 (2) make any requests for additional information.
- 12 **Sec. 9. If an insurer or insurance group:**
- 13 (1) submits, in other:
- 14 (A) documents submitted to the commissioner, including
- 15 proxy statements filed with registration statements
- 16 required by IC 27-1-23-3; or
- 17 (B) state or federal filings provided to the department;
- 18 information that is substantially similar to the information
- 19 required by this chapter; and
- 20 (2) cross references in the CGAD the document or filing that
- 21 contains the substantially similar information;
- 22 the insurer or insurance group is not required to duplicate the
- 23 information in the CGAD.
- 24 **Sec. 10. (a) If a CGAD contains the material information**
- 25 **necessary to allow the reviewing commissioner to understand the**
- 26 **insurer's or insurance group's corporate governance structure,**
- 27 **policies, and procedures, the insurer or insurance group may**
- 28 **determine whether to respond to a request from the reviewing**
- 29 **commissioner for additional information.**
- 30 (b) If the reviewing commissioner considers additional
- 31 information to be material and necessary to provide a clear
- 32 understanding of an insurer's or insurance group's:
- 33 (1) corporate governance structure, policies, and procedures;
- 34 (2) reporting or information system; or
- 35 (3) controls implementing subdivisions (1) and (2);
- 36 the commissioner may request the additional information.
- 37 (c) A CGAD must be:
- 38 (1) prepared in a manner consistent with the NAIC's
- 39 Corporate Governance Annual Disclosure Model Regulation;
- 40 and
- 41 (2) made available to the commissioner upon:
- 42 (A) examination under IC 27-1-3.1; or



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- (B) request of the commissioner.**
- Sec. 11. (a) Documents, materials, and other information related to a CGAD, including the CGAD, that are in the possession or control of the department and obtained by, created by, or disclosed to the commissioner or another person under this chapter, are:**
 - (1) considered to be proprietary and contain trade secrets;**
 - (2) confidential and privileged;**
 - (3) not subject to subpoena; and**
 - (4) not subject to discovery or admissible in evidence in a private civil action.**
- (b) The commissioner may:**
 - (1) use the documents, materials, and other information described in subsection (a) in relation to a regulatory or legal action brought as part of the commissioner's duties; and**
 - (2) otherwise make the documents, materials, and other information public only with the prior written consent of the insurer.**
- (c) The commissioner, and any other person:**
 - (1) who receives documents, materials, or other information related to a CGAD while acting under the authority of the commissioner; or**
 - (2) with whom the documents, materials, or other information are shared;**

under this chapter is not permitted or required to testify in a private civil action concerning any documents, materials, or other information described in subsection (a).
- (d) The commissioner may, in the performance of the commissioner's duties, do the following:**
 - (1) Upon request, share all documents, materials, and other information described in subsection (a) with the following if the recipient agrees in writing, and provides written verification that the recipient has the legal authority, to maintain the confidential and privileged status of the documents, materials, and other information:**
 - (A) Other state, federal, and international financial regulatory agencies.**
 - (B) The NAIC.**
 - (C) Members of a supervisory college (as defined in IC 27-1-23-1).**
 - (D) A third party consultant under section 12 of this chapter.**
 - (2) Receive all documents, materials, and other information**



- 1 described in subsection (a) from:
- 2 (A) other state, federal, and international financial
- 3 regulatory agencies;
- 4 (B) members of a supervisory college (as defined in
- 5 IC 27-1-23-1); and
- 6 (C) the NAIC;
- 7 if the commissioner maintains the confidential or privileged
- 8 status of the documents, materials, and other information that
- 9 are received with notice or the understanding that the
- 10 documents, materials, and other information are confidential
- 11 or privileged under the laws of the jurisdiction that is the
- 12 source of the documents, materials, and other information.
- 13 (e) The sharing of information by the commissioner under this
- 14 chapter is not a delegation of regulatory authority. The
- 15 commissioner is solely responsible for the administration,
- 16 implementation, and enforcement of this chapter.
- 17 (f) Disclosure to or sharing by the commissioner of documents,
- 18 materials, or other information under this chapter is not a waiver
- 19 of any applicable privilege or claim of confidentiality in the
- 20 documents, materials, or other information.
- 21 **Sec. 12. (a) The commissioner may, at the insurer's expense,**
- 22 **retain third party consultants, including attorneys, actuaries,**
- 23 **accountants, and others who are not part of the commissioner's**
- 24 **staff, that:**
- 25 (1) the commissioner considers necessary to review a CGAD,
- 26 related information, or the insurer's or insurance group's
- 27 compliance with this chapter; and
- 28 (2) have verified, with notice to the insurer, that the third
- 29 party consultant:
- 30 (A) has no conflict of interest affecting the commissioner's
- 31 retention of the third party consultant; and
- 32 (B) has internal procedures to:
- 33 (i) monitor whether a conflict of interest arises after the
- 34 third party consultant has been retained; and
- 35 (ii) comply with the confidentiality requirements of this
- 36 chapter.
- 37 (b) A third party consultant who is retained under subsection
- 38 (a) is under the direction and control of the commissioner and acts
- 39 only in an advisory capacity.
- 40 (c) The NAIC and a third party consultant who is retained
- 41 under subsection (a) are subject to the same confidentiality
- 42 requirements as the confidentiality requirements that apply to the



1 commissioner under this chapter. The NAIC may share
 2 information received under this chapter only with state regulators
 3 from states in which insurers that are members of an insurance
 4 group are domiciled.

5 (d) The commissioner shall enter into a written agreement with
 6 the NAIC or a third party consultant governing sharing and use of
 7 information provided under this chapter, including the following:

8 (1) Procedures and protocols concerning the confidentiality
 9 and security of information shared:

10 (A) with the NAIC or third party consultant under this
 11 chapter; and

12 (B) by the NAIC with regulators of other states in which
 13 insurers that are members of an insurance group are
 14 domiciled.

15 (2) A statement that the recipient:

16 (A) agrees in writing; and

17 (B) provides written verification that the recipient has the
 18 legal authority;

19 to maintain the confidential and privileged status of the
 20 documents, materials, and other information.

21 (3) A statement that, with respect to information shared with
 22 the NAIC or third party consultant under this chapter:

23 (A) the commissioner maintains ownership of the
 24 information; and

25 (B) the use of the information is subject to the direction of
 26 the commissioner.

27 (4) A statement that the NAIC or third party consultant may
 28 not store information shared under this chapter in a
 29 permanent data base after the underlying analysis is
 30 completed.

31 (5) A requirement that, if CGAD related information of an
 32 insurer that is in the possession of the NAIC or third party
 33 consultant under this chapter is subject to a request or
 34 subpoena to the NAIC or third party consultant for
 35 production or disclosure, the NAIC or third party consultant
 36 will provide prompt notice to the commissioner and to the
 37 insurer or insurance group.

38 (6) A requirement that the NAIC or third party consultant
 39 will allow intervention by an insurer in a judicial or
 40 administrative action under which the NAIC or third party
 41 consultant may be required to disclose confidential
 42 information concerning the insurer that has been shared with



1 the NAIC or third party consultant under this chapter.

2 (7) An express requirement that the written consent of the
3 insurer or insurance group is required before the NAIC or
4 third party consultant makes public any information shared
5 under this chapter.

6 Sec. 13. (a) An insurer that fails, without just cause (as
7 determined by the commissioner), to timely file a CGAD as
8 required by this chapter shall, after notice and hearing under
9 IC 4-21.5, pay a civil penalty of one hundred dollars (\$100) for
10 each day of noncompliance, not to exceed ten thousand dollars
11 (\$10,000).

12 (b) The commissioner may reduce a penalty imposed under
13 subsection (a) if the insurer demonstrates to the commissioner that
14 the imposition of the penalty would constitute a financial hardship
15 to the insurer.

16 (c) A civil penalty collected under this section shall be deposited
17 in the department of insurance fund established by IC 27-1-3-28.

18 Sec. 14. Notwithstanding IC 1-1-1-8, section 11 of this chapter
19 is not severable.

20 Sec. 15. The commissioner may adopt rules under IC 4-22-2 to
21 implement this chapter.

22 SECTION 19. IC 27-1-6-8 IS AMENDED TO READ AS
23 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 8. The department is
24 hereby authorized, in its discretion, to approve or disapprove the
25 articles of incorporation of the proposed company. If the department
26 shall approve the articles of incorporation of the proposed company, it
27 **the department** shall write or stamp, in an appropriate place on each
28 of said triplicate copies of such articles of incorporation, the:

29 (1) words "Approved by the department of insurance of the state
30 of Indiana"; ~~and the~~

31 (2) date of ~~such the~~ approval; ~~beneath which shall appear the~~

32 (3) impression of the seal of the department; and ~~the~~

33 (4) signature of the commissioner.

34 SECTION 20. IC 27-1-15.6-2, AS AMENDED BY P.L.276-2013,
35 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
36 JULY 1, 2015]: Sec. 2. The following definitions apply throughout this
37 chapter, IC 27-1-15.7, and IC 27-1-15.8:

38 (1) "Bureau" refers to the child support bureau established by
39 IC 31-25-3-1.

40 (2) "Business entity" means a corporation, an association, a
41 partnership, a limited liability company, a limited liability
42 partnership, or another legal entity.



- 1 (3) "Commissioner" means the insurance commissioner appointed
- 2 under IC 27-1-1-2.
- 3 (4) "Consultant" means a person who:
- 4 (A) holds himself or herself out to the public as being engaged
- 5 in the business of offering; or
- 6 (B) for a fee, offers;
- 7 any advice, counsel, opinion, or service with respect to the
- 8 benefits, advantages, or disadvantages promised under any policy
- 9 of insurance that could be issued in Indiana.
- 10 (5) "Delinquent" means the condition of being at least:
- 11 (A) two thousand dollars (\$2,000); or
- 12 (B) three (3) months;
- 13 past due in the payment of court ordered child support.
- 14 **(6) "Designated home state license" means a license issued by**
- 15 **the commissioner to an insurance producer who:**
- 16 **(A) maintains the insurance producer's principal place of**
- 17 **residence or principal place of business in a state that does**
- 18 **not license insurance producers for the line of authority for**
- 19 **which the insurance producer seeks licensure in Indiana;**
- 20 **and**
- 21 **(B) is permitted by the commissioner to designate Indiana**
- 22 **as the insurance producer's non-resident home state.**
- 23 ~~(7)~~ (7) "FINRA" refers to the independent Financial Industry
- 24 Regulatory Authority.
- 25 ~~(7)~~ (8) "Home state" means the District of Columbia or any state
- 26 or territory of the United States in which an insurance producer:
- 27 (A) maintains the insurance producer's principal place of
- 28 residence or principal place of business; and
- 29 (B) is licensed to act as an insurance producer.
- 30 ~~(8)~~ (9) "Insurance producer" means a person required to be
- 31 licensed under the laws of Indiana to sell, solicit, or negotiate
- 32 insurance.
- 33 ~~(9)~~ (10) "License" means a document issued by the commissioner
- 34 authorizing a person to act as an insurance producer for the lines
- 35 of authority specified in the document. The license itself does not
- 36 create any authority, actual, apparent, or inherent, in the holder to
- 37 represent or commit an insurance carrier.
- 38 ~~(10)~~ (11) "Limited line credit insurance" includes the following:
- 39 (A) Credit life insurance.
- 40 (B) Credit disability insurance.
- 41 (C) Credit property insurance.
- 42 (D) Credit unemployment insurance.



- 1 (E) Involuntary unemployment insurance.
 2 (F) Mortgage life insurance.
 3 (G) Mortgage guaranty insurance.
 4 (H) Mortgage disability insurance.
 5 (I) Guaranteed automobile protection (gap) insurance.
 6 (J) Any other form of insurance:
 7 (i) that is offered in connection with an extension of credit
 8 and is limited to partially or wholly extinguishing that credit
 9 obligation; and
 10 (ii) that the insurance commissioner determines should be
 11 designated a form of limited line credit insurance.
- 12 ~~(H)~~ **(12)** "Limited line credit insurance producer" means a person
 13 who sells, solicits, or negotiates one (1) or more forms of limited
 14 line credit insurance coverage to individuals through a master,
 15 corporate, group, or individual policy.
- 16 ~~(I)~~ **(13)** "Limited lines insurance" means any of the following:
 17 (A) The lines of insurance defined in section 18 of this
 18 chapter.
 19 (B) Any line of insurance the recognition of which is
 20 considered necessary by the commissioner for the purpose of
 21 complying with section 8(e) of this chapter.
 22 (C) For purposes of section 8(e) of this chapter, any form of
 23 insurance with respect to which authority is granted by a home
 24 state that restricts the authority granted by a limited lines
 25 producer's license to less than total authority in the associated
 26 major lines described in section 7(a)(1) through 7(a)(6) of this
 27 chapter.
- 28 ~~(J)~~ **(14)** "Limited lines producer" means a person authorized by
 29 the commissioner to sell, solicit, or negotiate limited lines
 30 insurance.
- 31 ~~(K)~~ **(15)** "Limited lines travel insurance producer" means a
 32 person designated by an insurer to sell, solicit, or negotiate a
 33 travel insurance policy. The term includes the following:
 34 (A) A managing general underwriter.
 35 (B) A managing general agent.
 36 (C) A limited lines producer.
- 37 ~~(L)~~ **(16)** "Negotiate" means the act of conferring directly with or
 38 offering advice directly to a purchaser or prospective purchaser of
 39 a particular contract of insurance concerning any of the
 40 substantive benefits, terms, or conditions of the contract, provided
 41 that the person engaged in that act either sells insurance or
 42 obtains insurance from insurers for purchasers.



- 1 ~~(16)~~ **(17)** "Person" means an individual or a business entity.
- 2 ~~(17)~~ **(18)** "Sell" means to exchange a contract of insurance by any
- 3 means, for money or its equivalent, on behalf of a company.
- 4 ~~(18)~~ **(19)** "Solicit" means attempting to sell insurance or asking or
- 5 urging a person to apply for a particular kind of insurance from a
- 6 particular company.
- 7 ~~(19)~~ **(20)** "Surplus lines producer" means a person who sells,
- 8 solicits, negotiates, or procures from an insurance company not
- 9 licensed to transact business in Indiana an insurance policy that
- 10 cannot be procured from insurers licensed to do business in
- 11 Indiana.
- 12 ~~(20)~~ **(21)** "Terminate" means:
- 13 (A) the cancellation of the relationship between an insurance
- 14 producer and the insurer; or
- 15 (B) the termination of a producer's authority to transact
- 16 insurance.
- 17 ~~(21)~~ **(22)** "Travel insurance" means insurance coverage for
- 18 personal risks incident to planned travel, including the following:
- 19 (A) Interruption or cancellation of a trip or an event.
- 20 (B) Loss of baggage or personal effects.
- 21 (C) Damage to accommodations or rental vehicles.
- 22 (D) Sickness, accident, disability, or death that occurs during
- 23 travel.
- 24 The term does not include a major medical plan that provides
- 25 comprehensive medical insurance for a traveler on a trip that lasts
- 26 at least six (6) months, including a traveler who is an individual
- 27 who works overseas as an expatriot or is deployed as a member of
- 28 the military.
- 29 ~~(22)~~ **(23)** "Travel retailer" means a business entity that offers and
- 30 delivers travel insurance on behalf of and under the direction of
- 31 a limited lines travel insurance producer.
- 32 ~~(23)~~ **(24)** "Uniform business entity application" means the current
- 33 version of the national association of insurance commissioners
- 34 uniform business entity application for resident and nonresident
- 35 business entities.
- 36 ~~(24)~~ **(25)** "Uniform application" means the current version of the
- 37 national association of insurance commissioners uniform
- 38 application for resident and nonresident producer licensing.
- 39 SECTION 21. IC 27-1-15.6-8.2 IS ADDED TO THE INDIANA
- 40 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
- 41 [EFFECTIVE JULY 1, 2015]: **Sec. 8.2. (a) Unless denied licensure**
- 42 **under section 12 of this chapter, a person that is not a resident of**



- 1 **Indiana shall receive a designated home state license if:**
 2 **(1) the person has requested licensure in Indiana for a line of**
 3 **authority for which licensure is not required in the person's**
 4 **home state;**
 5 **(2) the person has submitted the proper request for licensure**
 6 **and has paid the fees required under section 32 of this**
 7 **chapter;**
 8 **(3) the person has submitted or transmitted to the**
 9 **commissioner a completed uniform application; and**
 10 **(4) the person has complied with the pre-licensing and**
 11 **continuing education requirements that apply to an insurance**
 12 **producer that:**
 13 **(A) is a resident of Indiana; and**
 14 **(B) applies for the line of authority described in**
 15 **subdivision (1).**
 16 **(b) The commissioner may verify an insurance producer's**
 17 **licensing status through the Producer Database maintained by the**
 18 **National Association of Insurance Commissioners and its affiliates**
 19 **or subsidiaries.**
 20 **(c) A person that holds a designated home state license and**
 21 **moves from one state to another state shall file a change of address**
 22 **with the department and provide certification from the new**
 23 **resident state not more than thirty (30) days after the change of**
 24 **legal residence. No fee or license application is required under this**
 25 **subsection.**
 26 **(d) A person that:**
 27 **(1) holds a designated home state license; and**
 28 **(2) becomes a resident of a state that requires licensure for the**
 29 **line of authority for which the person holds the designated**
 30 **home state license;**
 31 **shall become licensed for the line of authority in the new state of**
 32 **residence and notify the commissioner of the new licensure.**
 33 **(e) Upon receiving notice of new licensure under subsection (d),**
 34 **the commissioner shall transfer the person's designated home state**
 35 **license to a nonresident producer license under section 8 of this**
 36 **chapter.**
 37 SECTION 22. IC 27-1-15.6-32, AS AMENDED BY P.L.234-2007,
 38 SECTION 190, IS AMENDED TO READ AS FOLLOWS
 39 [EFFECTIVE JULY 1, 2015]: Sec. 32. (a) The department shall adopt
 40 rules under IC 4-22-2 to set fees for licensure under this chapter,
 41 IC 27-1-15.7, and IC 27-1-15.8.
 42 (b) Insurance producer and limited lines producer license renewal



1 fees are due every two (2) years. The fee charged by the department
2 every two (2) years for a:

- 3 (1) resident license is forty dollars (\$40); ~~and~~
4 (2) nonresident license is ninety dollars (\$90); ~~and~~
5 **(3) designated home state license is ninety dollars (\$90).**

6 (c) Consultant renewal fees are due every twenty-four (24) months.

7 (d) Surplus lines producer renewal fees are due every two (2) years.

8 The fee charged by the department every two (2) years for a:

- 9 (1) resident license is eighty dollars (\$80); and
10 (2) nonresident license is one hundred twenty dollars (\$120).

11 (e) The commissioner may issue a duplicate license for any license
12 issued under this chapter. The fee charged by the commissioner for the
13 issuance of a duplicate:

- 14 (1) insurance producer license;
15 (2) surplus lines producer license;
16 (3) limited lines producer license; or
17 (4) consultant license;

18 may not exceed ten dollars (\$10).

19 (f) A fee charged and collected under this section shall be deposited
20 into the department of insurance fund established by IC 27-1-3-28.

21 SECTION 23. IC 27-1-23-4, AS AMENDED BY P.L.81-2012,
22 SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
23 JULY 1, 2015]: Sec. 4. (a) Material transactions within an insurance
24 holding company system to which an insurer subject to registration is
25 a party shall be subject to the following standards:

- 26 (1) The terms shall be fair and reasonable.
27 (2) Agreements concerning cost sharing services and management
28 must include provisions required by the commissioner in rules
29 adopted under IC 4-22-2.
30 (3) The charges or fees for services performed shall be
31 reasonable.
32 (4) The expenses incurred and payment received shall be
33 allocated to the insurer in conformity with customary insurance
34 accounting practices consistently applied.
35 (5) The books, accounts, and records of each party as to all
36 transactions described in this subsection shall be so maintained as
37 to clearly and accurately disclose the nature and details of the
38 transactions, including accounting information necessary to
39 support the reasonableness of the charges or fees to the respective
40 parties.
41 (6) The insurer's surplus as regards policyholders following any
42 transactions with affiliates or shareholder dividend shall be



- 1 reasonable in relation to the insurer's outstanding liabilities and
 2 adequate to its financial needs.
- 3 (b) The following transactions involving a domestic insurer and any
 4 person in its insurance holding company system (including
 5 amendments or modifications to affiliate agreements previously filed
 6 under this chapter) that are subject to any materiality standards
 7 described in subdivisions (1) through ~~(5)~~ (7) may not be entered into
 8 unless the insurer has notified the commissioner in writing of its
 9 intention to enter into such transaction at least thirty (30) days prior
 10 thereto, or such shorter period as the commissioner may permit, and the
 11 commissioner has not disapproved it within that period:
- 12 (1) Sales, purchases, exchanges, loans or extensions of credit,
 13 guarantees, or investments, provided those transactions are equal
 14 to or exceed:
- 15 (A) with respect to nonlife insurers, the lesser of three percent
 16 (3%) of the insurer's admitted assets or twenty-five percent
 17 (25%) of surplus as regards policyholders; and
 18 (B) with respect to life insurers, three percent (3%) of the
 19 insurer's admitted assets;
 20 each as of December 31 next preceding.
- 21 (2) Loans or extensions of credit to any person who is not an
 22 affiliate, where the insurer makes those loans or extensions of
 23 credit with the agreement or understanding that the proceeds of
 24 such transactions, in whole or in substantial part, are to be used
 25 to make loans or extensions of credit to, to purchase assets of, or
 26 to make investments in, any affiliate of the insurer making such
 27 loans or extensions of credit, provided those transactions are
 28 equal to or exceed:
- 29 (A) with respect to nonlife insurers, the lesser of three percent
 30 (3%) of the insurer's admitted assets or twenty-five percent
 31 (25%) of surplus as regards policyholders; and
 32 (B) with respect to life insurers, three percent (3%) of the
 33 insurer's admitted assets;
 34 each as of December 31 next preceding.
- 35 (3) Reinsurance agreements or modifications thereto, including:
- 36 (A) reinsurance pooling agreements; and
 37 (B) agreements under which:
 38 (i) a reinsurance premium;
 39 (ii) a change in the insurer's liabilities; or
 40 (iii) the projected reinsurance premium;
 41 in any of the immediately succeeding three (3) years equals or
 42 exceeds five percent (5%) of the insurer's surplus as regards



- 1 policyholders, as of December 31 next preceding, including
 2 those agreements that may require as consideration the transfer
 3 of assets from an insurer to a nonaffiliate, if an agreement or
 4 understanding exists between the insurer and nonaffiliate that
 5 any portion of the assets will be transferred to one (1) or more
 6 affiliates of the insurer.
- 7 (4) Management agreements, service contracts, cost-sharing
 8 arrangements, lease agreements, and tax allocation agreements.
- 9 **(5) Guarantees made by the insurer, only as follows:**
- 10 **(A) A guarantee, the amount of which is not quantifiable.**
- 11 **(B) A guarantee, the amount of which is quantifiable, if the**
 12 **amount of the guarantee exceeds the lesser of:**
- 13 **(i) one-half of one percent (0.5%) of the insurer's**
 14 **admitted assets; or**
- 15 **(ii) ten percent (10%) of surplus as regards**
 16 **policyholders;**
 17 **on December 31 of the immediately preceding calendar**
 18 **year.**
- 19 **(6) Direct or indirect acquisitions or investments, as follows:**
- 20 **(A) In:**
- 21 **(i) a person that controls the insurer; or**
- 22 **(ii) an affiliate of the insurer in an amount that, together**
 23 **with the insurer's present holdings in the investments,**
 24 **exceeds two and one-half percent (2.5%) of the insurer's**
 25 **surplus to policyholders.**
- 26 **(B) This subdivision does not apply to direct or indirect**
 27 **acquisitions or investments in:**
- 28 **(i) subsidiaries acquired under section 2.6 of this**
 29 **chapter; or**
- 30 **(ii) non-subsidiary insurance affiliates that are subject to**
 31 **this chapter.**
- 32 ~~(5)~~ (7) Material transactions, specified by rule, that the
 33 commissioner determines may adversely affect the interests of the
 34 insurer's policyholders.
- 35 This subsection does not authorize or permit any transactions that, in
 36 the case of an insurer not a member of the same insurance holding
 37 company system, would be otherwise contrary to law. Notice
 38 concerning amendments or modifications of a transaction must include
 39 the reasons for the change and the financial impact on the domestic
 40 insurer. Not more than thirty (30) days after an agreement that was
 41 previously filed under this section is terminated, the domestic insurer
 42 shall send written notice of the termination to the commissioner. The



1 commissioner shall determine whether a filing concerning the
 2 termination is required and shall notify the domestic insurer of the
 3 commissioner's determination.

4 (c) A domestic insurer may not enter into transactions that are part
 5 of a plan or series of like transactions with persons within the insurance
 6 holding company system if the purpose of those separate transactions
 7 is to avoid the statutory threshold amount and thus avoid the review
 8 that would occur otherwise.

9 (d) The commissioner, in reviewing transactions pursuant to
 10 subsection (b), shall consider whether the transactions comply with the
 11 standards set forth in subsection (a) and whether the transactions may
 12 adversely affect the interests of policyholders.

13 (e) The commissioner shall be notified within thirty (30) days of any
 14 investment of the domestic insurer in any one (1) corporation if the
 15 total investment in that corporation by the insurance holding company
 16 system exceeds ten percent (10%) of the corporation's voting securities.

17 (f) For purposes of this chapter, in determining whether an insurer's
 18 surplus is reasonable in relation to the insurer's outstanding liabilities
 19 and adequate to its financial needs, the following factors, among others,
 20 shall be considered:

21 (1) The size of the insurer as measured by its assets, capital and
 22 surplus, reserves, premium writings, insurance in force and other
 23 appropriate criteria.

24 (2) The extent to which the insurer's business is diversified among
 25 the several lines of insurance.

26 (3) The number and size of risks insured in each line of business.

27 (4) The extent of the geographical dispersion of the insurer's
 28 insured risks.

29 (5) The nature and extent of the insurer's reinsurance program.

30 (6) The quality, diversification, and liquidity of the insurer's
 31 investment portfolio.

32 (7) The recent past and projected future trend in the size of the
 33 insurer's surplus as regards policyholders.

34 (8) The surplus as regards policyholders maintained by other
 35 comparable insurers in respect of the factors described in
 36 subdivisions (1) through (7).

37 (9) The adequacy of the insurer's reserves.

38 (10) The quality and liquidity of investments in subsidiaries,
 39 except that the commissioner may discount or treat any such
 40 investment in subsidiaries as a disallowed asset for purposes of
 41 determining the adequacy of surplus whenever in the
 42 commissioner's judgment such investment so warrants.



- 1 (11) The quality of the earnings of the insurer and the extent to
2 which the reported earnings of the insurer include extraordinary
3 items.
- 4 (g) No domestic insurer subject to registration under section 3 of
5 this chapter shall pay an extraordinary dividend or make any other
6 extraordinary distribution to its security holders until:
7 (1) thirty (30) days after the commissioner has received notice of
8 the declaration thereof and has not within such period
9 disapproved such payment; or
10 (2) the commissioner shall have approved such payment within
11 such thirty (30) day period.
- 12 (h) For purposes of subsection (g), an extraordinary dividend or
13 distribution is any dividend or distribution of cash or other property
14 whose fair market value, together with that of other dividends or
15 distributions made within the twelve (12) consecutive months ending
16 on the date on which the proposed dividend or distribution is scheduled
17 to be made, exceeds the greater of:
18 (1) ten percent (10%) of such insurer's surplus as regards
19 policyholders as of the most recently preceding December 31; or
20 (2) the net gain from operations of such insurer, if such insurer is
21 a life insurer, or the net income, if such insurer is not a life
22 insurer, for the twelve (12) month period ending on the most
23 recently preceding December 31.
- 24 (i) Notwithstanding any other provision of law, a domestic insurer
25 may declare an extraordinary dividend or distribution which is
26 conditional upon the commissioner's approval thereof, but such a
27 declaration shall confer no rights upon shareholders until:
28 (1) the commissioner has approved the payment of such dividend
29 or distribution; or
30 (2) the commissioner has not disapproved the payment within the
31 thirty (30) day period referred to in subsection (g).
- 32 (j) The commissioner may impose a civil penalty of five thousand
33 dollars (\$5,000) on a person who fails to file a transaction as required
34 by this section. The commissioner shall deposit a civil penalty collected
35 under this subsection in the department of insurance fund established
36 by IC 27-1-3-28.
- 37 SECTION 24. IC 27-1-27-3 IS AMENDED TO READ AS
38 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 3. (a) The
39 commissioner of insurance shall issue resident and nonresident public
40 adjusters' certificates of authority to each person who:
41 (1) has complied with the requirements of this chapter, including
42 the payment of fees, the completion of the examination, and, in



1 the case of a nonresident applicant, the service of process
2 designation;

3 (2) is at least eighteen (18) years of age; and

4 (3) has not been convicted of:

5 (A) an act which would constitute a ground for disciplinary
6 sanction under section 7 7.1 of this chapter; or

7 (B) a felony that has a direct bearing on his ability to practice
8 competently.

9 A certificate of authority may be issued to a corporation that has one
10 (1) or more officers, directors, or employees who have been issued
11 public adjusters' certificates of authority. However, a corporation may
12 practice public adjusting only through its officers, directors, or
13 employees who have been issued certificates under this chapter.

14 (b) The commissioner of insurance may issue a resident certificate
15 of authority only to an applicant who is a bona fide resident of Indiana.

16 (c) The commissioner may issue a nonresident certificate of
17 authority only to a nonresident of Indiana who holds an equivalent
18 resident certificate of authority or a license issued under the laws of
19 any other state, any territorial possession of the United States, or any
20 foreign country.

21 SECTION 25. IC 27-1-27-7 IS REPEALED [EFFECTIVE JULY 1,
22 2015]. Sec. 7. (a) As used in this section, "practitioner" means an
23 individual or corporation who or which holds a certificate of authority
24 under this chapter:

25 (b) A practitioner shall conduct the practice of public adjusting in
26 accordance with the standards established by the commissioner of
27 insurance under section 8 of this chapter and is subject to the exercise
28 of the disciplinary sanctions under subsection (c); if after a hearing, the
29 commissioner finds:

30 (1) the practitioner has employed or knowingly cooperated in
31 fraud or material deception in order to obtain a certificate to
32 practice public adjusting; or has engaged in fraud or material
33 deception in the course of professional services or activities; or
34 has advertised services in a false or misleading manner;

35 (2) the practitioner has been convicted of a crime which has direct
36 bearing on the practitioner's ability to continue to practice
37 competently;

38 (3) a practitioner has knowingly violated any rule adopted by the
39 commissioner under section 8 of this chapter;

40 (4) a practitioner has continued to practice although he has
41 become unfit to practice public adjusting due to:

42 (A) professional incompetence;



- 1 (B) failure to keep abreast of current professional theory or
 2 practice;
 3 (C) physical or mental disability; or
 4 (D) addiction or severe dependency upon alcohol or other
 5 drugs which endangers the public by impairing a practitioner's
 6 ability to practice safely;
- 7 (5) a practitioner has engaged in a course of lewd or immoral
 8 conduct in connection with the delivery of services to clients; or
 9 (6) a practitioner has allowed his name or a certificate issued to
 10 him under this chapter to be used in connection with any
 11 individual who renders public adjusting services beyond the scope
 12 of his training, experience, or competence.
- 13 (c) The commissioner of insurance may order a practitioner to
 14 submit to a reasonable physical or mental examination if his physical
 15 or mental capacity to practice safely is at issue in a disciplinary
 16 proceeding.
- 17 (d) Failure to comply with an order under subsection (c) shall render
 18 a practitioner liable to the summary revocation procedures under
 19 subsection (f).
- 20 (e) The commissioner of insurance may impose any of the following
 21 sanctions, singly or in combination, when he finds that a practitioner
 22 is guilty of any offense under subsection (b):
- 23 (1) Permanently revoke a practitioner's certificate.
 24 (2) Suspend a practitioner's certificate.
 25 (3) Censure a practitioner.
 26 (4) Issue a letter of reprimand.
 27 (5) Place a practitioner on probation status and require the
 28 practitioner to:
- 29 (A) report regularly to the commissioner upon the matters
 30 which are the basis of probation;
 31 (B) limit practice to those areas prescribed by the
 32 commissioner; or
 33 (C) continue or renew professional education under a
 34 practitioner approved by the commissioner until a satisfactory
 35 degree of skill has been attained in those areas which are the
 36 basis of the probation.
- 37 The commissioner may withdraw a probation order if he finds that
 38 the deficiency which required disciplinary action has been
 39 remedied.
- 40 (f) The commissioner of insurance may summarily suspend a
 41 practitioner's certificate for a period of ninety (90) days in advance of
 42 a final adjudication or during the appeals process if the commissioner



1 finds that a practitioner represents a clear and immediate danger to the
 2 public health and safety if he is allowed to continue to practice. The
 3 summary suspension may be renewed upon a hearing before the
 4 commissioner, and each renewal may be for a period of ninety (90)
 5 days or less.

6 (g) The commissioner of insurance may reinstate a certificate which
 7 has been suspended under this chapter if, after a hearing, the
 8 commissioner is satisfied that the applicant is able to practice public
 9 adjusting with reasonable skill and safety to clients. As a condition of
 10 reinstatement, the commissioner may impose disciplinary or corrective
 11 measures authorized under this chapter.

12 (h) The commissioner of insurance shall seek to achieve consistency
 13 in the application of the sanctions authorized in this section, and
 14 significant departures from prior decisions involving similar conduct
 15 shall be explained in the commissioner's findings or orders.

16 (i) The commissioner of insurance may initiate proceedings under
 17 this section on his own motion or on the verified written complaint of
 18 any interested person. All such proceedings shall be conducted in
 19 accordance with IC 4-21.5.

20 SECTION 26. IC 27-1-27-7.1 IS ADDED TO THE INDIANA
 21 CODE AS A NEW SECTION TO READ AS FOLLOWS
 22 [EFFECTIVE JULY 1, 2015]: **Sec. 7.1. (a) The commissioner may**
 23 **suspend, revoke, or refuse to issue or renew a public adjuster's**
 24 **certificate of authority to act as a public adjuster in Indiana, or**
 25 **place a public adjuster on probation, for a cause set forth in**
 26 **subsection (b).**

27 **(b) A public adjuster is subject to the penalties set forth in**
 28 **subsection (a) for any of the following:**

- 29 **(1) Providing incorrect, misleading, incomplete, or materially**
 30 **untrue information in an application for a certificate of**
 31 **authority.**
- 32 **(2) Violating an insurance law, a subpoena, or an order of the**
 33 **commissioner or another state's insurance commissioner.**
- 34 **(3) Obtaining or attempting to obtain a certificate of authority**
 35 **through misrepresentation or fraud.**
- 36 **(4) Improperly withholding, misappropriating, or converting**
 37 **money or property received in the course of doing insurance**
 38 **business.**
- 39 **(5) Intentionally misrepresenting the terms of an actual or**
 40 **proposed insurance contract or application for insurance.**
- 41 **(6) Having been convicted of a felony.**
- 42 **(7) Having admitted or been found to have committed any**



1 unfair trade practice or fraud in the business of insurance.

2 **(8) Using fraudulent, coercive, or dishonest practices, or**
 3 **demonstrating incompetence, untrustworthiness, or financial**
 4 **irresponsibility, in the conduct of insurance business.**

5 **(9) Having an insurance license, or the equivalent of an**
 6 **insurance license, probated, suspended, revoked, or refused in**
 7 **another state, province, district, or territory.**

8 **(10) Forging another person's name to a document related to**
 9 **an insurance transaction.**

10 **(11) Cheating, including improperly using notes or any other**
 11 **reference material, to complete an examination for an**
 12 **insurance license.**

13 **(12) Failing to comply with an administrative or court order**
 14 **imposing a child support obligation.**

15 **(13) Failing to pay state income tax or failing to comply with**
 16 **an administrative or court order directing payment of state**
 17 **income tax.**

18 **(c) If the commissioner refuses an application for a certificate**
 19 **of authority to act as a public adjuster or for the renewal of an**
 20 **existing certificate of authority under this chapter, the**
 21 **commissioner shall notify the applicant or certificate holder in**
 22 **writing, advising of the reason for the refusal. The applicant or**
 23 **certificate holder may, not more than thirty (30) days after**
 24 **receiving the commissioner's notice of refusal, make written**
 25 **demand upon the commissioner for a hearing to determine the**
 26 **reasonableness of the refusal. The hearing must be held under**
 27 **IC 4-21.5 not more than twenty (20) days after the commissioner**
 28 **receives the applicant's or certificate holder's written demand.**

29 SECTION 27. IC 27-1-43-8, AS ADDED BY P.L.119-2014,
 30 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 31 JULY 1, 2015]: Sec. 8. (a) This chapter does not modify, limit, or
 32 supersede the federal Electronic Signatures in Global and National
 33 Commerce Act (15 U.S.C. 7001 et seq.).

34 (b) This chapter does not apply to a document to which IC 27-1-44
 35 applies.

36 **(c) This chapter does not apply to a notice or document related**
 37 **to title insurance (as defined in IC 27-7-3-2).**

38 SECTION 28. IC 27-1-44-1, AS ADDED BY P.L.119-2014,
 39 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 40 JULY 1, 2015]: Sec. 1. As used in this chapter, "property and casualty
 41 insurance" means one (1) or more of the types of insurance described
 42 in IC 27-1-5-1, Class 2 and Class 3. **The term does not include title**



1 **insurance (as defined in IC 27-7-3-2).**

2 SECTION 29. IC 27-7-6-2 IS AMENDED TO READ AS
3 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 2. "Automobile
4 insurance policy" means a policy delivered or issued for delivery in this
5 state or covering a motor vehicle required to be registered in this state
6 providing coverage for bodily injury and property damage liability,
7 medical payments, and uninsured motorists or any combination thereof,
8 and insuring as the named insured a natural person or more than one
9 (1) natural persons related to each other, resident of the same
10 household, and under which the insured vehicles therein designated are
11 as:

12 (a) a motor vehicle of the private passenger or station wagon type
13 that is not used as a public or livery conveyance for passengers,
14 nor rented to others; or

15 (b) any other four-wheel motor vehicle with a load capacity of one
16 thousand five hundred (1,500) pounds or less which is not used in
17 the occupation, profession, or business of the insured; provided,
18 however, that this chapter shall not apply:

19 (1) to any policy issued under an automobile assigned risk
20 plan;

21 (2) to any policy insuring more than four (4) automobiles; or
22 (3) (2) to pay any policy covering garage, automobile sales
23 agency, repair shop, service station, or public parking place
24 operation hazards.

25 "Automobile liability coverage" includes only coverage of bodily
26 injury and property damage liability, medical payments and uninsured
27 motorists coverage.

28 "Policy" shall be deemed to mean a policy providing automobile
29 liability coverage.

30 SECTION 30. IC 27-7-14 IS ADDED TO THE INDIANA CODE
31 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
32 JULY 1, 2015]:

33 **Chapter 14. Group Insurance for Members of the Armed Forces**

34 **Sec. 1. As used in this chapter, "armed forces" means the active
35 and reserve components of the following:**

36 (1) **The United States Army.**

37 (2) **The United States Navy.**

38 (3) **The United States Air Force.**

39 (4) **The United States Marine Corps.**

40 (5) **The United States Coast Guard.**

41 (6) **The Indiana National Guard.**

42 **Sec. 2. As used in this chapter, "casualty insurance company"**



- 1 has the meaning set forth in IC 27-1-2-3(t).
 2 **Sec. 3.** As used in this chapter, "group" means a group of
 3 individuals who:
 4 (1) have similar professional attributes;
 5 (2) belong to the group for purposes other than that of
 6 obtaining insurance; and
 7 (3) are eligible to purchase motor vehicle insurance.
 8 **Sec. 4.** As used in this chapter, "group administrator" means:
 9 (1) the officers or directors of; or
 10 (2) another person legally vested with the responsibility to
 11 manage the affairs of;
 12 a group of members of the armed forces.
 13 **Sec. 5.** As used in this chapter, "group motor vehicle insurance
 14 policy" means a policy of insurance that provides motor vehicle
 15 insurance to participating members of the armed forces under one
 16 (1) master policy:
 17 (1) that is issued to a group administrator; and
 18 (2) under which individual certificates, each with separate
 19 limits of liability and coverage, are issued to participating
 20 group members.
 21 **Sec. 6.** As used in this chapter, "motor vehicle insurance" means
 22 the type of insurance described in IC 27-1-5-1, Class 2(f).
 23 **Sec. 7.** An insurer that is authorized under IC 27-1-3-20 to:
 24 (1) transact business as a casualty insurance company; and
 25 (2) offer motor vehicle insurance;
 26 may provide a group motor vehicle insurance policy.
 27 SECTION 31. IC 27-7-15 IS ADDED TO THE INDIANA CODE
 28 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 29 JULY 1, 2015]:
 30 **Chapter 15. Group Non-Trucking Liability Insurance**
 31 **Sec. 1.** As used in this chapter, "casualty insurance company"
 32 has the meaning set forth in IC 27-1-2-3(t).
 33 **Sec. 2.** As used in this chapter, "group" means a group of
 34 individuals who:
 35 (1) have similar professional attributes;
 36 (2) belong to the group for purposes other than that of
 37 obtaining insurance; and
 38 (3) are eligible to purchase motor vehicle insurance.
 39 **Sec. 3.** As used in this chapter, "group non-trucking liability
 40 insurance policy" means a policy of insurance that provides
 41 non-trucking liability insurance, and may provide optional physical
 42 damage insurance coverage, to participating group members under



1 one (1) master policy:

- 2 (1) that is issued to a named insured; and
 3 (2) under which individual certificates, each with separate
 4 limits of liability and coverage, are issued to participating
 5 group members.

6 Sec. 4. As used in this chapter, "motor vehicle insurance" means
 7 the type of insurance described in IC 27-1-5-1, Class 2(f).

8 Sec. 5. As used in this chapter, "non-trucking liability
 9 insurance" means insurance that provides third party liability
 10 coverage for property damage or bodily injury caused by the
 11 operation of a for hire motor carrier truck for purposes other than
 12 for hire motor carrier truck purposes.

13 Sec. 6. An insurer that is authorized under IC 27-1-3-20 to:

- 14 (1) transact business as a casualty insurance company; and
 15 (2) offer motor vehicle insurance;

16 may provide a group non-trucking liability insurance policy.

17 SECTION 32. IC 27-7-16 IS ADDED TO THE INDIANA CODE
 18 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 19 JULY 1, 2015]:

20 **Chapter 16. Group Tenant Users Liability Insurance**

21 Sec. 1. As used in this chapter, "casualty and liability
 22 insurance" means the type of insurance described in IC 27-1-5-1,
 23 Class 2(h).

24 Sec. 2. As used in this chapter, "casualty insurance company"
 25 has the meaning set forth in IC 27-1-2-3(t).

26 Sec. 3. As used in this chapter, "group" means a group of
 27 individuals who:

- 28 (1) have similar professional attributes;
 29 (2) belong to the group for purposes other than that of
 30 obtaining insurance; and
 31 (3) are eligible to purchase casualty and liability insurance.

32 Sec. 4. As used in this chapter, "group tenant users liability
 33 insurance policy" means a policy of insurance that provides tenant
 34 users liability insurance to participating group members under one
 35 (1) master policy:

- 36 (1) that is issued to a named insured; and
 37 (2) under which individual certificates, each with separate
 38 limits of liability and coverage, are issued to participating
 39 group members.

40 Sec. 5. As used in this chapter, "tenant users liability insurance"
 41 means insurance that provides liability coverage for property
 42 damage or bodily injury to a third party caused by a vendor,



1 exhibitor, or performer during a special event.

2 **Sec. 6. An insurer that is authorized under IC 27-1-3-20 to:**

3 **(1) transact business as a casualty insurance company; and**

4 **(2) offer casualty and liability insurance;**

5 **may provide a group tenant users liability insurance policy.**

6 SECTION 33. IC 27-8-15-14 IS AMENDED TO READ AS
7 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 14. (a) As used in this
8 chapter, "small employer" means any person, firm, corporation, limited
9 liability company, partnership, or association actively engaged in
10 business who, on at least fifty percent (50%) of the working days of the
11 employer during the preceding calendar year, employed at least two (2)
12 but not more than fifty (50) eligible employees, the majority of whom
13 work in Indiana. In determining the number of eligible employees,
14 companies that are affiliated companies or that are eligible to file a
15 combined tax return for purposes of state taxation are considered one
16 (1) employer.

17 **(b) If the commissioner of insurance determines that it is**
18 **necessary or appropriate, the department of insurance may adopt**
19 **emergency rules under IC 4-22-2-37.1 to conform the definition set**
20 **forth in subsection (a) with PPACA (as defined in IC 27-19-2-14).**
21 **Notwithstanding IC 4-22-2-37.1(g), an emergency rule adopted**
22 **under this subsection expires on the date occurring one (1) year**
23 **after the date on which the emergency rule takes effect.**

24 SECTION 34. IC 27-8-16-6, AS AMENDED BY P.L.234-2007,
25 SECTION 195, IS AMENDED TO READ AS FOLLOWS
26 [EFFECTIVE JULY 1, 2015]: Sec. 6. (a) To remain in effect, a
27 certificate of registration issued under this chapter must be renewed ~~on~~
28 ~~June 30 of each year.~~ **annually.** To obtain the renewal of a certificate
29 of registration, a claim review agent or a claim review consultant must
30 submit an application to the commissioner. The application must be
31 accompanied by a registration fee in the amount set under section 5(d)
32 of this chapter. The commissioner shall deposit a registration fee
33 collected under this subsection into the department of insurance fund
34 established by IC 27-1-3-28.

35 (b) A certificate of registration issued under this chapter may not be
36 transferred unless the department determines that the person to which
37 the certificate of registration is to be transferred has satisfied the
38 requirements of this chapter.

39 (c) If there is a material change in any of the information set forth
40 in an application submitted under this chapter, the claim review agent
41 or claim review consultant that submitted the application shall notify
42 the department of the change in writing not more than thirty (30) days



1 after the change.

2 SECTION 35. IC 27-8-17-10, AS AMENDED BY P.L.234-2007,
3 SECTION 197, IS AMENDED TO READ AS FOLLOWS
4 [EFFECTIVE JULY 1, 2015]: Sec. 10. (a) To remain in effect, a
5 certificate of registration issued under this chapter must be renewed ~~on~~
6 ~~June 30 of each year.~~ **annually.** To obtain the renewal of a certificate
7 of registration, a utilization review agent must submit an application to
8 the commissioner. The application must be accompanied by a
9 registration fee in the amount set under section 9(d) of this chapter. The
10 commissioner shall deposit a registration fee collected under this
11 subsection into the department of insurance fund established by
12 IC 27-1-3-28.

13 (b) A certificate of registration issued under this chapter may not be
14 transferred unless the department determines that the entity to whom
15 the certificate is to be transferred has satisfied the requirements of this
16 chapter.

17 (c) If there is a material change in any of the information set forth
18 in an application submitted under this chapter, the utilization review
19 agent that submitted the application shall notify the department of the
20 change in writing within thirty (30) days after the change.

21 SECTION 36. IC 27-17-2-3, AS ADDED BY P.L.73-2006,
22 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
23 JULY 1, 2015]: Sec. 3. (a) The fee for issuance of a registration under
24 this chapter is five hundred dollars (\$500).

25 (b) A registration issued or renewed under this chapter expires ~~one~~
26 ~~(1) year from the date~~ **annually on the last day of the month** of
27 issuance or renewal.

28 (c) The fee for renewal of a registration under this chapter is two
29 hundred fifty dollars (\$250).

30 (d) The department shall renew a registration issued under this
31 chapter if:

- 32 (1) the fee specified under subsection (c) is paid; and
33 (2) the commissioner is satisfied that the discount medical card
34 program organization is in compliance with this article.

35 (e) Fees collected under this section must be deposited in the
36 department of insurance fund established by IC 27-1-3-28.

37 SECTION 37. IC 36-8-10-17 IS AMENDED TO READ AS
38 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 17. (a) The death
39 benefit, the disability benefit, and the dependents' pension may be
40 operated as one (1) fund, known as the police benefit fund, under the
41 terms of a supplementary trust agreement between the department and
42 the trustee for the exclusive benefit of employee beneficiaries and their



- 1 dependents.
- 2 (b) The trustee receives and holds as trustee for the uses and
3 purposes set out in the supplementary trust agreement all money paid
4 to it as trustee by the department or by other persons.
- 5 (c) The trustee may, under the terms of the supplementary trust
6 agreement, pay the necessary premiums for insurance, pay benefits, or
7 pay both as provided by this chapter.
- 8 (d) The trustee shall hold, invest, and reinvest the police benefit
9 fund in investments that are permitted by statute for the investment of
10 trust funds and other investments that are specifically designated in the
11 supplementary trust agreement.
- 12 (e) Within ninety (90) days after the close of the fiscal year, the
13 trustee, with the assistance of the pension engineers, shall prepare and
14 file with the department ~~and the state insurance department~~ a detailed
15 annual report showing receipts, disbursements, and case histories, and
16 making recommendations regarding the necessary contributions
17 required to keep the program in operation. Contributions by the
18 department shall be provided in the general appropriations to the
19 department. However, these contributions are not required for plans
20 established or modifications adopted after June 30, 1989, under
21 sections 14 through 16 of this chapter unless the establishment or
22 modification is approved by the county fiscal body.



COMMITTEE REPORT

Mr. Speaker: Your Committee on Insurance, to which was referred House Bill 1341, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 18, line 41, delete "criterium" and insert "**criterion**".

Page 20, delete lines 18 through 21.

Page 37, delete line 37, begin a new paragraph and insert:

"Chapter 14. Group Insurance for Members of the Armed Forces".

Page 38, delete lines 4 through 29, begin a new paragraph and insert:

"Sec. 2. As used in this chapter, "casualty insurance company" has the meaning set forth in IC 27-1-2-3(t).

Sec. 3. As used in this chapter, "group" means a group of individuals who:

- (1) have similar professional attributes;**
- (2) belong to the group for purposes other than that of obtaining insurance; and**
- (3) are eligible to purchase motor vehicle insurance.**

Sec. 4. As used in this chapter, "group administrator" means:

- (1) the officers or directors of; or**
- (2) another person legally vested with the responsibility to manage the affairs of;**

a group of members of the armed forces.

Sec. 5. As used in this chapter, "group motor vehicle insurance policy" means a policy of insurance that provides motor vehicle insurance to participating members of the armed forces under one

(1) master policy:

- (1) that is issued to a group administrator; and**
- (2) under which individual certificates, each with separate limits of liability and coverage, are issued to participating group members.**

Sec. 6. As used in this chapter, "motor vehicle insurance" means the type of insurance described in IC 27-1-5-1, Class 2(f).

Sec. 7. An insurer that is authorized under IC 27-1-3-20 to:

- (1) transact business as a casualty insurance company; and**
- (2) offer motor vehicle insurance;**

may provide a group motor vehicle insurance policy.

SECTION 31. IC 27-7-15 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]:

HB 1341—LS 7048/DI 97



Chapter 15. Group Non-Trucking Liability Insurance

Sec. 1. As used in this chapter, "casualty insurance company" has the meaning set forth in IC 27-1-2-3(t).

Sec. 2. As used in this chapter, "group" means a group of individuals who:

- (1) have similar professional attributes;
- (2) belong to the group for purposes other than that of obtaining insurance; and
- (3) are eligible to purchase motor vehicle insurance.

Sec. 3. As used in this chapter, "group non-trucking liability insurance policy" means a policy of insurance that provides non-trucking liability insurance, and may provide optional physical damage insurance coverage, to participating group members under one (1) master policy:

- (1) that is issued to a named insured; and
- (2) under which individual certificates, each with separate limits of liability and coverage, are issued to participating group members.

Sec. 4. As used in this chapter, "motor vehicle insurance" means the type of insurance described in IC 27-1-5-1, Class 2(f)."

Page 38, line 30, delete "8." and insert "5."

Page 38, between lines 34 and 35, begin a new paragraph and insert:

"Sec. 6. An insurer that is authorized under IC 27-1-3-20 to:

- (1) transact business as a casualty insurance company; and
- (2) offer motor vehicle insurance;

may provide a group non-trucking liability insurance policy.

SECTION 32. IC 27-7-16 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]:

Chapter 16. Group Tenant Users Liability Insurance

Sec. 1. As used in this chapter, "casualty and liability insurance" means the type of insurance described in IC 27-1-5-1, Class 2(h).

Sec. 2. As used in this chapter, "casualty insurance company" has the meaning set forth in IC 27-1-2-3(t).

Sec. 3. As used in this chapter, "group" means a group of individuals who:

- (1) have similar professional attributes;
- (2) belong to the group for purposes other than that of obtaining insurance; and
- (3) are eligible to purchase casualty and liability insurance.

Sec. 4. As used in this chapter, "group tenant users liability



insurance policy" means a policy of insurance that provides tenant users liability insurance to participating group members under one

(1) master policy:

- (1) that is issued to a named insured; and**
- (2) under which individual certificates, each with separate limits of liability and coverage, are issued to participating group members."**

Page 38, line 35, delete "9." and insert "5."

Page 38, delete lines 39 through 42, begin a new paragraph and insert:

"Sec. 6. An insurer that is authorized under IC 27-1-3-20 to:

- (1) transact business as a casualty insurance company; and**
- (2) offer casualty and liability insurance;**

may provide a group tenant users liability insurance policy."

Page 39, delete lines 1 through 8.

Page 39, line 10, delete "This subsection".

Page 39, line 11, delete "applies only for plan years beginning before January 1, 2016."

Page 39, delete lines 21 through 31, begin a new paragraph and insert:

"(b) If the commissioner of insurance determines that it is necessary or appropriate, the department of insurance may adopt emergency rules under IC 4-22-2-37.1 to conform the definition set forth in subsection (a) with PPACA (as defined in IC 27-19-2-14). Notwithstanding IC 4-22-2-37.1(g), an emergency rule adopted under this subsection expires on the date occurring one (1) year after the date on which the emergency rule takes effect."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1341 as introduced.)

LEHMAN

Committee Vote: yeas 12, nays 0.

