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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1851 Session of  
2017

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INTRODUCED BY PICKETT, BAKER, SCHLEGEL CULVER, DeLUCA, MILLARD,  
WARD AND D. COSTA, OCTOBER 10, 2017

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REFERRED TO COMMITTEE ON INSURANCE, OCTOBER 10, 2017

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AN ACT

1 Amending the act of May 17, 1921 (P.L.789, No.285), entitled "An  
2 act relating to insurance; establishing an insurance  
3 department; and amending, revising, and consolidating the law  
4 relating to the licensing, qualification, regulation,  
5 examination, suspension, and dissolution of insurance  
6 companies, Lloyds associations, reciprocal and inter-  
7 insurance exchanges, and certain societies and orders, the  
8 examination and regulation of fire insurance rating bureaus,  
9 and the licensing and regulation of insurance agents and  
10 brokers; the service of legal process upon foreign insurance  
11 companies, associations or exchanges; providing penalties,  
12 and repealing existing laws," in examinations, further  
13 providing for purpose and providing for scheduling  
14 conference, for budget estimate and revisions, for billing  
15 invoices and for annual examination and analysis report.

16 The General Assembly of the Commonwealth of Pennsylvania  
17 hereby enacts as follows:

18 Section 1. Section 901 of the act of May 17, 1921 (P.L.789,  
19 No.285), known as The Insurance Department Act of 1921, is  
20 amended to read:

21 Section 901. Purpose.--The purpose of this article is to  
22 provide an effective and efficient system for examining the  
23 activities, operations, financial condition and affairs of all  
24 persons transacting the business of insurance in this

1 Commonwealth and all persons otherwise subject to the  
2 jurisdiction of the department. The provisions of this article  
3 are intended to enable the department to adopt a flexible system  
4 of examinations which directs resources as may be deemed  
5 appropriate and necessary for the administration of the  
6 insurance and insurance related laws of this Commonwealth. This  
7 article recognizes the commitment of the department to work with  
8 the insurance industry to utilize the most efficient means to  
9 conduct examinations, minimize costs, facilitate cooperation and  
10 communication between insurers and the department, increase  
11 transparency and increase efficiencies to the greatest extent  
12 possible.

13 Section 2. The act is amended by adding sections to read:

14 Section 904.1. Scheduling Conference.--Prior to commencing  
15 examination field work under this article, the department shall  
16 hold a scheduling conference with a company to discuss the  
17 following:

18 (1) The purpose and scope of the examination.

19 (2) The estimated costs for the examination.

20 (3) The types of information that the company will be asked  
21 to produce.

22 (4) The most efficient means of conducting the examination.

23 (5) Any alternative approaches in conducting the examination  
24 that would be more convenient, less burdensome or less expensive  
25 for the company while still providing for an effective  
26 examination by the department.

27 Section 904.2. Budget Estimate and Revisions.--(a) No more  
28 than thirty days after the scheduling conference under section  
29 904.1 has been conducted, the department shall provide the  
30 company with a detailed written budget estimate for the

1 examination that must, for each forthcoming phase of the  
2 examination, as appropriate:

3 (1) Identify the individuals or firms performing the  
4 examination and their daily or hourly rates.

5 (2) Provide an estimate of travel, lodging, meal and other  
6 administrative or supply costs.

7 (3) Estimate the length of time to conduct on-site and off-  
8 site examination activities.

9 (b) Within fifteen days of receipt of a budget estimate  
10 under subsection (a), the company and the department shall have  
11 an additional discussion regarding the most efficient means of  
12 conducting the examination and producing information. If  
13 necessary, revisions of the budget estimate shall be made.

14 (c) The time periods under subsections (a) and (b) may be  
15 extended if the company and the department mutually agree to the  
16 extension.

17 (d) At any time during the examination, the department shall  
18 hold another scheduling conference with the company in  
19 accordance with section 904.1 and provide a revised budget  
20 estimate as set forth in subsection (a) if:

21 (1) the department determines that the cost of the  
22 examination will exceed the budget estimate by more than ten per  
23 centum; or

24 (2) there is a material change in staffing assignments.

25 Section 904.3. Billing Invoices.--(a) The following shall  
26 apply for each billing invoice submitted to a company regarding  
27 examination work:

28 (1) An invoice which is submitted by a contractor of the  
29 department must contain an itemized and detailed description of  
30 charges on a quarterly hour basis by the examiner, including the

1 applicable billing rates and a per charge description of related  
2 travel or other expenses.

3 (2) An invoice which is submitted by the department directly  
4 must contain instructions on how a company may obtain an  
5 itemized and detailed description of the charges.

6 (3) An invoice shall be submitted to a company on a monthly  
7 basis as soon as practicable but no later than sixty days after  
8 the date on which the billed activity was performed.

9 (4) An invoice must provide a due date of no fewer than  
10 thirty days after the bill is submitted to the company.

11 (5) An invoice must contain an explanation of the invoicing  
12 process and the procedure for resolving billing disputes.

13 (b) To the extent possible, the department shall follow the  
14 procedures under subsection (a) for billing invoices submitted  
15 by third-party consultants retained as described under section  
16 905.1(a)(2), (3), (4), (5) or (6).

17 Section 905.1. Annual Examination and Analysis Report.--(a)  
18 Within thirty days of the end of each fiscal year, the  
19 department shall publish a report setting forth, for the  
20 immediately prior fiscal year, the total amount of money that  
21 the department billed to companies and contractors of the  
22 department which were retained in each of the following  
23 categories:

24 (1) Financial examinations conducted under section 904.

25 (2) Market conduct examinations conducted under section 904.

26 (3) Examinations conducted under section 1406 of the act of  
27 May 17, 1921 (P.L.682, No.284), known as "The Insurance Company  
28 Law of 1921."

29 (4) The review of transactions under any of the following  
30 sections of "The Insurance Company Law of 1921":

1 (i) Section 803-A.

2 (ii) Section 807-A.

3 (iii) Section 1402.

4 (iv) Section 1405.

5 (5) The solvency monitoring of companies under any of the  
6 following:

7 (i) Section 507-A.

8 (ii) Section 506-B.

9 (iii) Section 2607 of "The Insurance Company Law of 1921."

10 (6) Other subsequently enacted statutory provisions that  
11 provide for the retention of third-party consultants.

12 (b) The report under this section must:

13 (1) separately list the identity of each contractor retained  
14 by the department and the amount of money paid by companies to  
15 that contractor;

16 (2) disclose the total amount of deposits into the Insurance  
17 Regulation and Oversight Fund under section 4(a)(3) of the act  
18 of July 2, 2013 (P.L.255, No.46), known as the "Insurance  
19 Regulation and Oversight Fund Act," as a result of financial and  
20 market regulation activities for which regulated entities are  
21 responsible to pay; and

22 (3) include an analysis of the effectiveness of the  
23 procedures under this article and recommendations to further  
24 improve the efficiency and transparency of the examination  
25 processes.

26 Section 3. This act shall take effect in 60 days.