

NOTICE OF
PROPOSED RULE REPEAL AND REENACTMENT

- ⌘ The agency identified below in box 1 provides notice of proposed rule change pursuant to Utah Code Section 63G-3-301 and Subsection 53C-1-201(3)(c).
- ⌘ Please address questions regarding information on this notice to the agency.
- ⌘ The full text of all rule filings is published in the Utah State Bulletin unless excluded because of space constraints.
- ⌘ The full text of all rule filings may also be inspected at the Office of Administrative Rules.

Agency Information

1. Agency: Insurance - Administration
Room no.: 3110
Building: STATE OFFICE BLDG
Street address 1: 450 N MAIN ST
Street address 2:
City, state, zip: SALT LAKE CITY UT 84114-1201
Mailing address 1: PO BOX 146901
Mailing address 2:
City, state, zip: SALT LAKE CITY UT 84114-6901

Contact person(s):

| Name: | Phone: | Fax: | E-mail: |
|-------------|--------------|--------------|-----------------|
| Steve Gooch | 801-538-3803 | 801-538-3829 | sgooch@utah.gov |

(Interested persons may inspect this filing at the above address or at DAR during business hours)

Rule Information

DAR file no: 40954 Date filed: 11/04/2016 04:05 PM
State Admin Rule Filing Key: 158101
Utah Admin. Code ref. (R no.): R 590 - 70 -

Title

2. Title of rule or section (catchline):
Insurance Holding Companies

Notice Type

3. Type of notice: Repeal and Reenact

Rule Purpose

4. Purpose of the rule or reason for the change:
The rule change enhances the financial solvency monitoring of holding company impacts on insurers.

Response Information

5. This change is a response to comments by the Administrative Rules Review Committee.
No

Rule Summary

6. Summary of the rule or change:

The revised Utah Insurance Holding Company rule is aimed at assessing the “enterprise risk” within the entire insurance holding company system (including the risk caused by non-insurer affiliates) and determining the impact of such risk upon the solvency of insurers within the insurance group. To accomplish this goal, the Revised Model Law

enhances insurance regulators' authority to supervise the insurance group by mandating reporting of information regarding the solvency and risk of an insurer's non-insurer affiliates and allowing examination of such entities. Importantly, the NAIC Financial Regulation Standards and Accreditation Committee has determined that the adoption of certain revisions and significant elements of the revised model law and regulation is now required as part of the national accreditation standards for insurance departments; ensuring adoption nationwide.

Aggregate Cost Information

7. Aggregate anticipated cost or savings to:

A) State budget:

Affected: No

There will be no direct impact on the State budget. No new appropriation was requested or received as a result of this rule. The rule will require Utah Insurance Department financial analysts to perform approximately 80 hours of additional work per FTE per year on holding company analysis. However, this difference will be addressed by improving the efficiency and adjusting the emphasis of the analysis process.

B) Local government:

Affected: No

There will be no impact on local government because the rule does not address the domain of local government and no local government employees perform functions related to the holding company rule.

C) Small businesses:

Affected: No

("small business" means a business employing fewer than 50 persons)

In general there will be no impact on small businesses. In the case where a small business may be in the holding company structure of an insurance company, the small business may need to produce financial information related to the Utah Insurance Department's financial analysis of the insurance company's financial condition. The cost of compliance would generally be assumed by the insurance company itself and impacts to related small businesses will likely be incidental and not significant.

D) Persons other than small businesses, businesses, or local government entities:

Affected: No

("person" means any individual, partnership, corporation, association, governmental entity, or public or private organization of any character other than an agency)

The rule applies only to regulated insurance companies and related companies within the insurance company's holding company structure.

Compliance Cost Information

8. Compliance costs for affected persons:

Insurance companies and their holding company organizations are already subject to costs associated with holding company insurance laws and regulations. These costs include providing various financial reports and answering questions from financial analysts in their annual and quarterly financial reviews; and providing documents to and answering questions from financial examiners every 3 to 5 years when a financial examination is performed. The impact of the rule depends on the financial condition of entities within the holding company structure. The rule requires the production by the insurer, of a new enterprise risk report. The cost of producing the report should be minimal especially for companies who already have enterprise risk processes. Otherwise, the level of the increased cost of compliance with the new sections of the rule is dependent on the level of complexity of the holding company structure and the financial condition of the holding company. In general, the additional costs should represent only a small incremental increase in the cost of compliance compared with the costs before the amended rule.

Department Head Comments

9. A) Comments by the department head on the fiscal impact the rule may have on businesses:

The fiscal impact that arises as a result of this rule will be negligible. The rule only requires additional reporting on the part of insurance holding companies and will result in no great deal of extra work on their part. In general, the additional costs should represent only a small incremental increase in the cost of compliance compared with the costs before the amended rule.

B) Name and title of department head commenting on the fiscal impacts:

Todd E. Kiser, Insurance Commissioner

Citation Information

10. This rule change is authorized or mandated by state law, and implements or interprets the following state and federal laws.

State code or constitution citations (required) (e.g., Section 63G-3-402; Subsection 63G-3-601(3); Article IV) :
Section 31A-16-116

Section 31A-2-201

Incorporated Materials

11. This rule adds, updates, or removes the following title of materials incorporated by reference (a copy of materials incorporated by reference must be submitted to DAR; if none, leave blank) :

Official Title of Materials Incorporated (from title page):

Publisher:

Date Issued:

Issue, or version:

ISBN Number:

ISSN Number:

Cost of Incorporated Reference:

Adds, updates, removes:

Comments

12. The public may submit written or oral comments to the agency identified in box 1. (The public may also request a hearing by submitting a written request to the agency. The agency is required to hold a hearing if it receives requests from ten interested persons or from an association having not fewer than ten members. Additionally, the request must be received by the agency not more than 15 days after the publication of this rule in the Utah State Bulletin. See Section 63G-3-302 and Rule R15-1 for more information.)

A) Comments will be accepted until 5:00 p.m. on (mm/dd/yyyy) :

01/03/2017

B) A public hearing (optional) will be held:

On (mm/dd/yyyy): At (hh:mm AM/PM): At (place):

Proposed Effective Date

13. This rule change may become effective on (mm/dd/yyyy):

01/10/2017

NOTE: The date above is the date on which this rule MAY become effective. It is NOT the effective date. After a minimum of seven days following the date designated in Box 12(A) above, the agency must submit a Notice of Effective Date to the Office of Administrative Rules to make this rule effective. Failure to submit a Notice of Effective Date will result in this rule lapsing and will require the agency to start the rulemaking process over.

Indexing Information

14. Indexing information - keywords (maximum of four, in lower case, except for acronyms (e.g., "GRAMA") or proper nouns (e.g., "Medicaid")):

insurance law

File Information

15. Attach an RTF document containing the text of this rule change (filename):

There is a document associated with this rule filing.

To the Agency

Information requested on this form is required by Sections 63G-3-301, 302, 303, and 402. Incomplete forms will be returned to the agency for completion, possibly delaying publication in the Utah State Bulletin, and delaying the first possible effective date.

Agency Authorization

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| Agency head or designee, and title: | Steve Gooch Information Specialist | Date (mm/dd/yyyy): 11/04/2016 |
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