

**State Corporation Commission**  
**2002 Fiscal Impact Statement**

**1. Bill Number** SB289

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron** Norment

**3. Committee** Commerce and Labor

**4. Title** Health maintenance organizations; reinsurance.

5. Summary/Purpose: Makes health maintenance organizations (HMOs) subject to provisions in §§ 38.2 -136, 38.2 -216, and 38.2 -1316.1 through 38.2 -1316.8. The sweep in of these provisions will give HMOs clear authority to engage in reinsurance transactions while also assuring that accounting for reinsurance will be subject to the credit for reinsurance provisions in Chapter 13 of Title 38.2 and that a domestic HMO's transfer, whether by reinsurance or otherwise, of substantially all risks, property or business in this Commonwealth will be subject to the Commission's approval.

6. No Fiscal Impact on state agencies

7. Budget amendment necessary: No

8. Fiscal implications: None

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: Senator Norment introduced this bill at the request of the State Corporation Commission Bureau of Insurance to recognize and legitimize for HMOs accepted methods of risk management and reorganization commonly used by insurance companies and others in the insurance industry. These types of transactions have been hampered by laws that presumed reinsurance authority was not necessary for HMOs that provided primarily pre-paid services. The sweep-in of § 38.2 -136 clarifies basic authority to enter into reinsurance agreements with another HMO; it also imposes a prior approval requirement on assumption reinsurance transactions whereby the accepting company assumes direct responsibility for the obligations of the ceding HMO. The sweep-in of § 38.2 -216 restricts the ability of a domestic HMO to transfer (whether by reinsurance or otherwise) all or substantially all of its reinsurance risks, property or business in this Commonwealth without first receiving Commission approval. The sweep-in of §§ 38.3 -1316.1 et seq. ensures proper accounting and appropriate recognition of risk transfer.

**Date:** 1/21/02 V. Tompkins

cc:SecretaryofHealthandHumanResources