

State Corporation Commission 2004 Fiscal Impact Statement

1. Bill Number SB401

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

2. Patron O'Brien

3. Committee Commerce and Labor

4. Title Insurance; Virginia Medical Malpractice Joint Underwriting Association.

5. Summary/Purpose: Creates a permanent medical malpractice joint underwriting association (JUA). The JUA is required to submit a plan of operation, no later than September 30, 2004, to the Commission for approval.

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission

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

10. Technical amendment necessary: No

11. Other comments: SB 401 provides for the permanent establishment of a Medical Malpractice Joint Underwriting Association (JUA). As a result of SB 401, the Commission will no longer be required to investigate and determine whether a joint underwriting association should be activated (as is the case under current law). Health care providers may choose to obtain coverage in the JUA if they could not obtain acceptable coverage elsewhere at an affordable premium. In addition, under SB 401, the JUA will no longer be required to be self-supporting (since there is no way of knowing how many policyholders will seek coverage through the JUA at any given time, and there may never be enough policyholders for the JUA to be maintained on a self-supporting basis). Consequently, member insurers may be assessed for any shortfall. In addition, there will no longer be a stabilization reserve fund charge. Instead the JUA will be able to surcharge its policyholders based on past and prospective losses and expenses. Instead of the JUA being self-supporting, which is the requirement of current law, the cost of operating the JUA in excess of the premiums it collects is shifted to liability insurers who are permitted to recover the cost of their assessments over time in the form of deductions from the insurance premium license taxes that insurers are required to pay.

On February 2, 2004, the bill was carried over to the 2005 Session by the Senate Committee on Commerce and Labor.

Date: 02/19/04 /V. Tompkins

cc: Secretary of Commerce and Trade