State Corporation Commission
2011 Fiscal Impact Statement

1. **Bill Number:** SB1482

House of Origin	☒	Introduced	☐	Substitute	☐	Engrossed
Second House	☒	In Committee	☐	Substitute	☐	Enrolled

2. **Patron:** Wagner

3. **Committee:** General Laws

4. **Title:** Virginia Life, Accident and Sickness Insurance Guaranty Association; surplus funds.

5. **Summary:** Establishes a procedure for the Virginia Life, Accident and Sickness Insurance Guaranty Association to dispose of surplus funds on hand with respect to the insolvency of an insurer. Removes language that provides for proportional refunds to member insurers of contributions made during the year that exceed the amount necessary to carry out the boards obligations during the coming year. Adds language creating a new procedure where the Guaranty Association would use such surplus funds to reimburse member insurers for assessment costs not otherwise amortized and offset and then to pay the remaining surplus to the SCC for deposit in the state's general fund. Also adds language that would allow a member insurer to make a claim against the surplus funds remitted to the SCC to recover assessment costs not otherwise amortized and offset pursuant to § 38.2-1709 of the Code. The SCC would then make a determination if the insurer is entitled to the funds and if so, the state treasurer would pay the insurer the amount determined by the SCC.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates:** Fiscal impact estimates are not available. See Line 8.

8. **Fiscal implications:** Senate Bill 1482 could increase revenue to the General Fund; however, such an increase is dependent on the number of insurer insolvencies which end with a refund to the Guaranty Association.

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

10. **Technical amendment necessary:** No

11. **Other comments:** In the event of an insurer insolvency, insurers which are members of the Virginia Life, Accident and Sickness Insurance Guaranty Association are assessed to cover the cost of the insolvency. The Code of Virginia provides assessed insurers tax credits amortized over 10 years against premium license tax. In the subsequent years, the receiver,

as he winds down the affairs of the insolvent insurer, may refund some money back to the Guaranty Association. Current law requires that the Guaranty Association refund this money to the member insurers, even though many of these insurers have received tax credits for monies paid in assessments. The Bureau of Insurance is required to bill each insurer which receives a refunded assessment if that insurer had taken a tax credit during the ensuing years (an insurer is not entitled to a tax credit and a refund). Monies collected by the Bureau of Insurance are transferred to the Commonwealth's General Fund.

What Senate Bill 1482 does is require that any refunded assessments to the Guaranty Association be paid to the Bureau of Insurance, not to the insurer. The Bureau of Insurance would then determine which insurers did not take a tax credit and refund monies to the insurers. For all insurers that did take tax credits, the Bureau of Insurance would transfer those funds to the General Fund.

Date: 02/14/11/V. Tompkins
cc: Secretary of Commerce and Trade
Secretary of Health and Human Resources