

State Corporation Commission

2014 Fiscal Impact Statement

1. Bill Number: SB120

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Watkins

3. Committee: Commerce and Labor

4. Title: Benefits consortium; exemption and exclusions.

5. Summary: Benefits consortium; exemption and exclusions. Creates a new Article 17 in Chapter 8 of Title 6.2 of the Code of Virginia which exempts a bank benefits consortium from regulation as a multiple employer welfare arrangement or an insurer under Title 38.2 of the Code of Virginia. Also exempts a benefits consortium and its sponsoring organization from the license tax levied on insurance companies. A benefits consortium is a trust that, among other conditions, operates as a nonprofit voluntary employee beneficiary association within the meaning of § 501(c)(9) of the Internal Revenue Code of 1986 and is subject to federal law and regulations applicable to multiple employer welfare arrangements. “Sponsoring association” is defined to include member banks and employers that provide products and services to banks.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Fiscal Impact Estimates are unknown; see Item 8.

8. Fiscal implications: Senate Bill 120 stipulates that the benefits consortium is not subject to regulation or taxation as an insurance company; consequently, there would be no premium license tax revenue collected on any premiums written by the consortium and no assessments made against premiums written by the consortium.

9. Specific Agency or Political Subdivisions Affected: Virginia State Corporation Commission’s Bureau of Financial Institutions and Bureau of Insurance

10. Technical Amendment Necessary: No.

11. Other Comments: The State Corporation Commission Bureau of Insurance advised the patron of Senate Bill 120 that exemption of a benefits consortium from the Insurance Title results in a lack of solvency standards and a resulting degree of risk in the event of failure of a consortium. There are no consumer protections provided for in Title 38.2 for participants in the consortium which may include consumers who are not bank employees, but purchased insurance through the consortium. There is no guaranty fund coverage available in the event of an insolvency. Further, Virginia’s statutory receivership scheme, which has priority of distribution

placing participating policyholders near the top, would not apply, which could subject participants to only limited protection from bankruptcy laws. Finally, Senate Bill 120 includes life insurance coverage, which poses additional risk to the solvency of the consortium.

Date: 01/23/14/ E. J. Face, Jr. and V. Tompkins
cc: Secretary of Commerce and Trade