

State Corporation Commission

2017 Fiscal Impact Statement

1. Bill Number: SB1158

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

2. Patron: Reeves

3. Committee: Commerce and Labor

4. Title: Insurance; reciprocals.

5. Summary: Insurance; reciprocals. Removes the condition for obtaining a license to transact the business of insurance in the Commonwealth that a foreign reciprocal be actively writing, in the state in which it is organized, the class of insurance that the reciprocal proposes to write in Virginia. A similar condition for licensure of alien reciprocals is not affected. The measure also provides that a foreign or alien reciprocal is prohibited from transacting the business of insurance in Virginia until it obtains from the State Corporation Commission both a certificate of authority and a license to transact the business of insurance in the Commonwealth.

6. Budget amendment necessary: No

7. Fiscal Impact Estimates: No Fiscal Impact on the State Corporation Commission

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: Senate Bill 1158 removes the requirement that foreign reciprocals must be actively writing in their state of domicile the class of insurance that they are proposing to write in Virginia in order to obtain a license. The removal of actively writing requirement would enable a foreign reciprocal to obtain a license in Virginia based on a line of authority that it has in its state of domicile, but that it has no experience actually writing (e.g. workers' compensation). As a result, a foreign reciprocal could use Virginia as a "test market" in which to write a line of business that it doesn't have experience writing. The Bureau of Insurance has recommended the following amendment to the proponents of Senate Bill 1158 in order to address the issue.

On Lines 48-49, unstrike "and is writing actively" and on Line 49, add language after "in that state" as follows:

No foreign reciprocal shall be licensed to transact the business of insurance in this Commonwealth unless it has filed with the Commission a certificate of the supervising insurance official of the state in which it is organized. The certificate shall show that the foreign reciprocal is licensed to write and is writing actively in that state or an affiliate of the foreign reciprocal is licensed to write and is writing

actively in its state of domicile or at least two other states the class of insurance it proposes to write in this Commonwealth. No alien reciprocal shall be licensed to transact the business of insurance until it has filed with the Commission a certificate of the supervising insurance official of (i) the state through which it entered the United States or (ii) the alien reciprocal's domiciliary country. The certificate shall show that the alien reciprocal is licensed to write and is writing actively in that state or country the class of insurance it proposes to write in this Commonwealth.

Date: 01/20/17/V. Tompkins