

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 1300*
Finance Committee Substitute Adopted 7/8/98

Short Title: Insurance Company Exams.

(Public)

Sponsors:

Referred to:

May 27, 1998

A BILL TO BE ENTITLED

AN ACT TO AMEND PROVISIONS IN THE INSURANCE LAWS DEALING WITH EXAMINATIONS OF INSURANCE COMPANIES AND AUDITS OF THEIR FINANCIAL STATEMENTS AND TO CLARIFY THE LAW ON INSURERS' FUNDING AGREEMENT RESERVES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-7-50(d) reads as rewritten:

"(d) This section is subject to the exceptions provided in G.S. 58-7-55. The Commissioner may allow a domestic insurer to maintain certain records or assets outside this State."

Section 2. G.S. 58-2-131(a) reads as rewritten:

"(a) This section and G.S. 58-2-132 ~~and G.S. 58-2-133~~ through G.S. 58-2-134 shall be known and may be cited as the Examination Law. The purpose of the Examination Law is to provide an effective and efficient system for examining the activities, operations, financial condition, and affairs of all persons transacting the business of insurance in this State and all persons otherwise subject to the Commissioner's jurisdiction; and to enable the Commissioner to use a flexible system of examinations that directs resources that are appropriate and necessary for the administration of the insurance statutes and rules of this State."

1 Section 3. G.S. 58-2-131(b) reads as rewritten:

2 "(b) As used in this section, ~~G.S. 58-2-132 and G.S. 58-2-133~~, section and G.S. 58-2-
3 132 through G.S. 58-2-134, unless the context clearly indicates otherwise:

4 (1) " Commissioner" includes an authorized representative or designee of
5 the Commissioner.

6 (2) " Examination" means an examination conducted under the
7 Examination Law.

8 (3) " Examiner" means any person authorized by the Commissioner to
9 conduct an examination.

10 (4) " Insurance regulator" means the official or agency of another
11 jurisdiction that is responsible for the regulation of a foreign or alien
12 insurer.

13 (5) " Person" includes a trust or any affiliate of a person."

14 Section 4. Article 2 of Chapter 58 of the General Statutes is amended by
15 adding a new section to read:

16 **"§ 58-2-134. Cost of certain examinations.**

17 An insurer shall reimburse the Department for the actual expenses incurred by the
18 Department in any examination of those records or assets conducted pursuant to G.S. 58-
19 2-131, 58-2-132, or 58-2-133 when:

20 (1) The insurer maintains part of its records or assets outside this State
21 under G.S. 58-7-50 or G.S. 58-7-55 and the examination is of the
22 records or assets outside this State.

23 (2) The insurer requests an examination of its records or assets.

24 (3) The Commissioner examines an insurer that is impaired or insolvent or
25 is unlikely to be able to meet obligations with respect to known or
26 anticipated claims or to pay other obligations in the normal course of
27 business.

28 The amount paid by an insurer for an examination of records or assets shall not
29 exceed one hundred thousand dollars (\$100,000), unless the insurer and the
30 Commissioner agree on a higher amount."

31 Section 5. G.S. 58-7-16(f) reads as rewritten:

32 "(f) The Commissioner has sole authority to regulate the issuance and sale of
33 funding agreements on behalf of insurers. In addition to the authority in G.S. 58-2-40, the
34 Commissioner may adopt rules relating to:

35 (1) Standards to be followed in the approval of forms of funding
36 agreements.

37 (2) Reserves to be maintained by insurers issuing funding agreements.

38 (3) Accounting and reporting of funds credited under funding agreements.

39 (4) Disclosure of information to be given to holders and prospective holders
40 of funding agreements.

41 (5) Qualification and compensation of persons selling funding agreements
42 on behalf of insurers.

1 In determining minimum valuation reserves to be maintained by insurers issuing
2 funding agreements, the Commissioner may use any relevant actuarial guideline,
3 regulation, interpretation, or paper published by the Society of Actuaries or the American
4 Academy of Actuaries that the Commissioner considers reasonable."

5 Section 6. This act is effective when it becomes law.