

Public Protection Cabinet
Department of Insurance
Division of Financial Standards and Examination
(New Administrative Regulation)

806 KAR 7:120. Finance committee of domestic insurers.

RELATES TO: KRS 304.3-240, 304.7-361

STATUTORY AUTHORITY: KRS 304.2-110

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110 authorizes the Commissioner of Insurance to promulgate administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code as defined in KRS 304.1-010. KRS 304.7-361 prohibits an insurer from making any investment or loan without approval of the finance or executive committee, or the approval of a majority of its directors present at a duly held meeting of directors. The function of this administrative regulation is to require an insurer transacting business of insurance within the Commonwealth of Kentucky to inform the Commissioner of Insurance the names of the members of finance and executive committees of the insurer.

Section 1. The executive or finance committee or the board of directors of a domestic insurer shall be charged with the duty of prior consideration and approval of any investment policy of the insurer.

Section 2. With each annual statement report filed in accordance with KRS 304.3-240, each insurer shall file with the commissioner the names of the members of any finance or executive committee that has, during the preceding year, exercised the authority to approve investments or investment policy.

Section 3. The filing shall be accompanied by an affidavit signed by a financial officer of the insurer or the president of the insurer, attesting that the members of the committee or committees have been advised of the requirements of Subtitle 7 of KRS Chapter 304, administrative regulations.

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READ AND APPROVED:

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

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(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation requires any insurer transacting business of insurance in Kentucky to inform the Commissioner of the names of the members on the insurer's financial and executive committees.

(b) The necessity of this administrative regulation:

KRS 304.2-110 authorizes the Commissioner to promulgate administrative regulations that aide in the effectuation of the Insurance Code. This administrative regulation aides in that effectuation by requiring an insurer transacting business of insurance within the Commonwealth of Kentucky to inform the Commissioner of Insurance the names of the members of finance and executive committees of the insurer. This administrative regulations aides the department in its regulating efforts.

(c) How this administrative regulation conforms to the content of the authorizing statutes:

KRS 304.2-110 authorizes the Commissioner of Insurance to promulgate administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code as defined in KRS 304.1-010. KRS 304.7-361 prohibits an insurer from making any investment or loan without approval of the finance or executive committee, or the approval of a majority of its directors present at a duly held meeting of directors and this administrative regulation requires those members names be submitted to the Commissioner, so that the department is informed of who is authorized to make executive decisions on behalf of the insurer.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

This is a new administrative regulation and will assist in the effective administration of the statutes by requesting more information from the executives of the insurers in the state of Kentucky.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation:

This is a new administrative regulation.

(b) The necessity of the amendment to this administrative regulation:

This is a new administrative regulation.

(c) How the amendment conforms to the content of the authorizing statutes:

This is a new administrative regulation.

(d) How the amendment will assist in the effective administration of the statutes:

This is a new administrative regulation.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:

All insurers transacting business of insurance in the state of Kentucky and the Department as the implementer. (4) Provide an analysis of how the entities identified in the previous question will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment,

including: (a) List the actions each of the regulated entities have to take to comply with this regulation or amendment: Insurers are required to submit the names of the members of the finance and executive committees of the insurer to the Commissioner.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities: No cost is expected to implement this administrative regulation. (c) As a result of compliance, what benefits will accrue to the entities:

The insurer will be able to transact business in the state of Kentucky as well as avoid any potential civil penalties.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment:

No answer provided.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3):

No answer provided.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3):

No answer provided.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially:

Implementation of this amendment is not anticipated to have an initial cost on the Department of Insurance.

(b) On a continuing basis:

Implementation of this amendment is not anticipated to have an on-going cost on the Department of Insurance.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation:

The Department will use funds from its current operational budget to perform the tasks necessary.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

An increase of fees will not be necessary because additional personnel is likely unnecessary.

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees:

This administrative regulation does not establish any fees.

(9) TIERING: Is tiering applied?

Explain why or why not.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

(1) What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation?

The department as the implementer.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation.

KRS 304.2-110.

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year?

There is no expected revenue for the state or local governments for the first year.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years?

There is no expected revenue for subsequent years.

(c) How much will it cost to administer this program for the first year?

There is no expected cost to administer this program for the first year.

(d) How much will it cost to administer this program for subsequent years?

There is no expected cost to administer this program for subsequent years.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):No answer provided.

Expenditures (+/-):No answer provided.

Other Explanation:

No answer provided.