

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation: 806 KAR 37:010

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(1) Provide a brief summary of:

(a) What this administrative regulation does: KRS Chapter 304, Subtitle 37, requires insurers that are members of holding company systems to register with the commissioner, so as to provide notice of transactions that are material to the financial condition of the insurer. This administrative regulation establishes the information that must be submitted in filings with the department, including mergers and acquisitions, material transactions, a summary of registration statement, and prior notices of transactions.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to provide guidance for insurance holding company systems to comply with KRS Chapter 304, Subtitle 37. This administrative regulation is also needed to meet the financial accreditation standards established by the National Association of Insurance Commissioners (NAIC).

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 304.2-110 provides that the Commissioner of Insurance may promulgate reasonable administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. This administrative regulation sets forth procedural requirements to carry out the provisions of KRS Chapter 304, Subtitle 37, insurance holding company systems, and statutes relating to the merger and acquisition of domestic insurers.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation sets forth the process for making statutorily required filings with the commissioner.

(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: The amendment incorporates language from the NAIC's Model Regulation (MO-450).

(b) The necessity of the amendment to this administrative regulation: This new language is required for the Department's accreditation standards with the NAIC.

- (c) How the amendment conforms to the content of the authorizing statutes: KRS 304.2-110 provides that the Commissioner of Insurance may promulgate reasonable administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. This administrative regulation sets forth procedural requirements to carry out the provisions of KRS Chapter 304, Subtitle 37, insurance holding company systems, and statutes relating to the merger and acquisition of domestic insurers.
- (d) How the amendment will assist in the effective administration of the statutes: This amendment allows the commissioner to grant an exemption to qualifying groups meeting the standards set forth in the NAIC's Model Regulation 450, without the requirement to file at least once. The proposed accreditation standard still requires the model's exemption language, detailing which groups qualify to request an exemption, but does not require the model language that the filing is required at least once for these groups. Therefore, the allowance to grant exemptions is not for any group and is instead only those meeting the qualifications in the model, which include groups under \$1 billion without international business.
- (3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: There are currently 37 affected entities.
- (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: Regulated entities that are required to file a pre-acquisition notification report or an enterprise risk report will need to comply with the requirements and report format outlined in this administrative regulation.
- (b) In complying with this administrative regulation or amendment, how much will it cost each of the entities: Regulated entities have been complying with these requirements for numerous years. The current fee is \$5.00 per document filing.
- (c) As a result of compliance, what benefits will accrue to the entities: As a result of compliance, regulated entities will be able to submit the appropriate statutory filings required by KRS 304, Subtitle 37, and receive approval of specific material transactions.
- (5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation: There is no associated cost to the department to implement this administrative regulation's provisions.
- (a) Initially: Implementation of this amendment is not anticipated to result in any initial cost to the Department of Insurance.
- (b) On a continuing basis: Implementation of this amendment is not anticipated to result in any ongoing cost to 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, as 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 not likely to be needed.

(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 new fees. There is an existing fee of \$5.00 per filing related to these forms. Any increase in fees received by the Department of Insurance is anticipated to be minimal.

(9) TIERING: Is tiering applied? Explain why or why not. Tiering is not applied as the provisions of this administrative regulation apply to all entities equally.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

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(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 Kentucky Department of Insurance will be impacted as the implementer of the regulation.

(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, 304.24-390, 304.24-410, 304.37-020, 304.37-030, 304.37-110, 304.37-120, 304.37-130, and KRS Chapter 304, Subtitle 33.

(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 an existing fee of \$5.00 per filing related to these forms. Any revenue generated by this administrative regulation is anticipated to be minimal in the first year. There are no new forms required to be filed, so revenue should be minimal.

(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? The revenue generated by this administrative regulation is expected to be minimal.

(c) How much will it cost to administer this program for the first year? This administrative regulation will not have any implementation cost in the first year.

(d) How much will it cost to administer this program for subsequent years? This administrative regulation will not have any administration cost in subsequent years.

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

Revenues (+/-): Neutral

Expenditures (+/-): Neutral

Other Explanation: N/A

(4) Estimate the effect of this administrative regulation on the expenditures and cost savings of regulated entities for the first full year the administrative regulation is to be in effect.

(a) How much cost savings will this administrative regulation generate for the regulated entities for the first year? This number is unknown, but the Department does not foresee any cost or savings impact.

(b) How much cost savings will this administrative regulation generate for the regulated entities for subsequent years? This number is unknown, but the Department does not foresee any cost or savings impact.

(c) How much will it cost the regulated entities for the first year? The cost should be minimal, if any.

(d) How much will it cost the regulated entities for subsequent years? The cost should be minimal, if any.

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

Cost Savings(+/-): Neutral

Expenditures (+/-): Neutral

Other Explanation: N/A

(5) Explain whether this administrative regulation will have a major economic impact, as defined below. "Major economic impact" means an overall negative or adverse economic impact from an administrative regulation of five hundred thousand dollars (\$500,000) or more on state or local government or regulated entities, in aggregate, as determined by the promulgating administrative bodies. [KRS 13A.010(13)]

This regulatory amendment should not have a major economic impact, as defined above, because regulated entities have already been filing the necessary forms for many years prior to this proposed amendment.