

RULE IMPACT STATEMENT

1. RULE

Proposed PERMANENT rules:

| | |
|----------------------------------|--|
| Subchapter 5. | Bail Bondsmen |
| Part 1. | Continuing Education for Bail Bondsman |
| 365:25-5-3 | Education requirements [AMENDED] |
| 365:25-5-4 | Application for course approval [AMENDED] |
| 365:25-5-8 | Extensions of time [AMENDED] |
| Part 5. | General Provisions Pertaining to Bail Bondsmen |
| 365:25-5-49. | Property bondsman requirements [NEW] |
| Subchapter 7. | Companies |
| Part 11. | Credit for Reinsurance |
| 365:25-7-60. | Purpose [AMENDED] |
| 365:25-7-63. | Credit for reinsurance – Accredited reinsurers [AMENDED] |
| 365:25-7-65. | Credit for reinsurance – Reinsurers maintaining trust funds |
| [AMENDED] | |
| 365:25-7-66. | Credit for reinsurance required by law [AMENDED] |
| 365:25-7-67. | Reduction <u>Asset or reduction</u> from liability for reinsurance ceded to |
| an unauthorized assuming insurer | <u>not meeting the requirements of 365:25-7-62 through 66 and</u> |
| <u>365:25-7-73</u> | <u>[AMENDED]</u> |
| 365:25-7-68. | Trust agreements qualified under Section 365:25-7-67 |
| [AMENDED] | |
| 365:25-7-70. | Reinsurance contract [AMENDED] |
| 365:25-7-72. | Letters of credit qualified under 365:25-7-67 [AMENDED] |
| 365:25-7-73. | Credit for reinsurance – certified reinsurers [NEW] |
| Part 15. | Company Supervision [NEW] |
| 365:25-7-80. | Purpose [NEW] |
| 365:25-7-81. | Definitions [NEW] |
| 365:25-7-82. | Authorization [NEW] |
| 365:25-7-83. | Professional confidentiality [NEW] |
| 365:25-7-84. | Passing on of confidential information [NEW] |
| 365:25-7-85. | Agreements for information exchange [NEW] |
| 365:25-7-86. | Supervisory Colleges [NEW] |
| Appendix BB. | Written Confirmation Statement [NEW] |
| Appendix CC. | Certificate of Certified Reinsurer [NEW] |
| Appendix DD. | Annual Reinsurance Review – Property & Casualty Insurers |
| [NEW] | |
| Appendix EE. | Annual Reinsurance Review – Life & Health Insurers [NEW] |
| Appendix FF. | Small Employer Stop Loss Disclosure [NEW] |

2. PURPOSE

365:25-5-3 is amended to clarify that a bail bonds license applicant must pass an examination within one (1) year from the date of completion of prelicensing education as required by 59 O.S. § 1308.1(A). 365:25-5-4 is amended to reflect the fee requirement set forth in 59 O.S. § 1308.1(C). 365:25-5-8 is amended to reflect the continuing education requirements in 59 O.S. § 1308.1(A). 365:25-5-49 provides a further definition of a “Property bondsman” to

give clarity to that term as set forth in 59 O.S. § 1301(B)(8). 365:25-5-49 also adds more clarity to the property bond requirements contained at 59 O.S. § 1324.

The changes to Subchapter 7, Part 11 are necessary to implement the provisions of two new pieces of legislation passed in 2016: SB 1488 and HB 2996. 365:25-7-60 is amended to establish the authority for the promulgation of Part 11. Section 63 is amended to allow a reinsurer to obtain accreditation if the Insurance Commissioner finds that it has adequate financial capacity to meet its reinsurance obligations. Section 65 is amended to allow a commissioner with principal regulatory oversight of a trust maintained by a reinsurer to reduce the required surplus level of the trust in certain circumstances, and sets out the manner in which a letter of credit may qualify as an asset of the trust. Section 66 is amended to update references to the appropriate portions of 36 O.S. § 5122. Section 67 is amended to update references to the appropriate portions of 36 O.S. § 5123.1. Section 68 is amended to provide that the failure of the trustee to draw against the letter of credit in circumstances where such draw would be required shall be deemed to be negligence and/or willful misconduct. Section 68 also sets out the provisions required to be included in reinsurance trust agreements. Section 70 is amended to include the correct statutory references and to clarify the required insolvency clause and intermediary clause required in reinsurance contracts. Section 72 is amended to update references. Section 73 is a new rule promulgated to set forth the requirements for reinsurers to become certified reinsurers, and specifies the criteria that will be used to determine a certified reinsurer's mandated collateral security levels. Appendix CC is a certificate that all certified reinsurers must submit to the Insurance Department. Appendix DD is an annual reinsurance review for property and casualty insurers. Appendix EE is an annual reinsurance review for life and health reinsurers. Appendix FF is a small employer stop loss disclosure.

The new Subchapter 7, Part 15 allows for the Insurance Commissioner and staff to participate in future Supervisory Colleges. Participation is essential to monitoring the activities of large insurance holding companies that do business in our state but also have international operations. Oklahoma consumers will be harmed by not having their state representatives present for these important regulatory summits. 365:25-7-80 sets out the purpose of the new Part 15, which is to specify the confidential status and handling of certain information contained in the files of the Insurance Commissioner pursuant to various provisions of the Oklahoma Insurance Code (36 O.S. §§ 101-7301). Section 81 provides definitions to the terms "confidential information," "exchange," and "supervisory" used in the Part. Section 82 outlines the authorization for the Commissioner to promulgate these new rules. Section 83 establishes the guidelines for the protection of confidential information by the Commissioner, Department staff, and anyone else acting on behalf of the Commissioner or the Department. Section 84 sets out the procedure for passing on confidential information to other regulators. Section 85 allows for regulators to enter into agreements to facilitate the efficient execution of requests for or provisions of information. Section 86 provides guidelines for the exchange of confidential information through participation in a Supervisory College. Appendix BB is a written statement confirming that an organization will comply with the terms of the rules.

3. CLASSES AFFECTED:

- A. Bail bondsmen
- B. Insurance Department staff
- C. Domestic insurers
- D. Foreign reinsurers
- E. Employers that self-insure health benefits

4. COST IMPACTS ON PRIVATE OR PUBLIC ENTITIES:

No information

5. CLASSES BENEFITTED:

- A. Bail bondsmen
- B. Insurance Department staff
- C. Domestic insurers
- D. Foreign reinsurers
- E. Employers that self-insure health benefits

6. ECONOMIC IMPACT:

Unknown

7. PROBABLE COST TO AGENCY AND EFFECT ON STATE REVENUES:

None anticipated

8. SOURCE OF REVENUE:

Normal yearly budgeted funds

9. MEASURES TAKEN TO MINIMIZE COMPLIANCE COSTS:

None

10. EFFECT ON THE PUBLIC HEALTH, SAFETY AND ENVIRONMENT:

Unknown

11. LESS COSTLY/LESS INTRUSIVE METHODS:

Unknown

12. EFFECT ON PUBLIC HEALTH, SAFETY AND ENVIRONMENT IF RULE NOT IMPLEMENTED:

Unknown

13. EFFECT ON SMALL BUSINESS

Implementation of the proposed rule will not have an adverse effect on small business as provided by the Oklahoma Small Business Regulatory Flexibility Act.

14. DATE PREPARED:

February 15, 2017