

1 STATE OF OKLAHOMA

2 1st Session of the 58th Legislature (2021)

3 COMMITTEE SUBSTITUTE

4 FOR

5 HOUSE BILL NO. 2120

6 By: McEntire

7 COMMITTEE SUBSTITUTE

8 An Act relating to insurance; amending 36 O.S. 2011,
9 Section 607.1, as last amended by Section 2, Chapter
10 73, O.S.L. 2016 (36 O.S. Supp. 2020, Section 607.1),
11 which relates to insurers; modifying conditions that
12 consider an entity an insurer; requiring notice and
13 filing for asserted insolvent insurers; directing
14 compliance with the Insurance Commissioner's
15 requirements; authorizing supervision of insurer;
16 imposing fine; authorizing promulgation of rules; and
17 providing an effective date.

18 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

19 SECTION 1. AMENDATORY 36 O.S. 2011, Section 607.1, as
20 last amended by Section 2, Chapter 73, O.S.L. 2016 (36 O.S. Supp.
21 2020, Section 607.1), is amended to read as follows:

22 Section 607.1 A. An entity organized pursuant to the
23 Interlocal Cooperation Act (an "Interlocal Entity") for the purpose
24 of transacting insurance, ~~except those Interlocal Entities created~~
~~pursuant to the terms of The Governmental Tort Claims Act that~~
insures an Oklahoma educational institution, shall be considered an

1 insurer at such time that the entity has within a twelve month
2 period received aggregate premiums of One Million Dollars
3 ~~(\$1,000,000.00)~~ for all kinds of insurance that the entity
4 transacts. Such an entity shall ~~be eligible to qualify for and~~ hold
5 a certificate of authority to transact insurance in this state.

6 B. ~~Notwithstanding the provisions of subsection A of this~~
7 ~~section, any~~ Any entity organized pursuant to the Interlocal
8 Cooperation Act that insures an Oklahoma educational institution and
9 has within a twelve-month period received premiums or contributions
10 of any amount for any kind of insurance that the Interlocal Entity
11 transacts shall have an annual audit by an independent certified
12 public accountant and shall file an audited financial report by an
13 independent certified public accountant with the Insurance
14 Commissioner within one hundred eighty (180) days immediately
15 following the close of the Interlocal Entity's fiscal year. The
16 annual audited financial report shall be presented in conformity
17 with accounting principles generally accepted in the United States
18 of America and include:

19 1. The report of an independent certified public accountant in
20 accordance with accounting principles generally accepted in the
21 United States of America;

22 2. A balance sheet reporting assets, liabilities and equity;

23 3. A statement of operations;

24 4. A statement of cash flows;

1 5. A statement of changes in assets, liabilities and equity;

2 6. Footnotes to financial statements; and

3 7. An unqualified opinion from the certified public accountant
4 that the audited financial report represents a fair presentation of
5 the Interlocal Entity's financial position in conformity with
6 accounting principles generally accepted in the United States of
7 America.

8 C. Any entity subject to the provisions of subsection B of this
9 section, except those entities which purchase full insurance
10 coverage as determined by the Commissioner, shall file with the
11 Insurance Commissioner an actuarial opinion prepared by a qualified
12 actuary within one hundred eighty (180) days immediately following
13 the close of the Interlocal Entity's fiscal year. The actuarial
14 opinion should certify the amount and adequacy of the Interlocal
15 Entity's reserves for loss and loss adjustment expenses, including
16 amounts for Incurred But Not Reported (IBNR) Claims, and the
17 adequacy of the Interlocal Entity's premiums. The actuarial opinion
18 shall be consistent with the appropriate Actuarial Standards of
19 Practice (ASOP) as promulgated by the Actuarial Standards Board.

20 As used in this section, "qualified actuary" means an individual
21 who is a member of the American Academy of Actuaries and who has met
22 the Qualification Standards for Actuaries Issuing Statements of
23 Actuarial Opinions in the United States promulgated by the American
24 Academy of Actuaries.

1 D. Extensions of the filing date may be granted by the
2 Commissioner for thirty-day periods upon a showing by the Interlocal
3 Entity and its independent certified public accountant or qualified
4 actuary of the reasons for requesting an extension and determination
5 by the Commissioner of good cause for an extension. The request for
6 extension must be submitted in writing not less than ten (10) days
7 prior to the due date in sufficient detail to permit the
8 Commissioner to make an informed decision with respect to the
9 requested extension.

10 E. The Commissioner may assess a fine for failure to file the
11 required annual audit or actuarial opinion in an amount of not more
12 than Five Hundred Dollars (\$500.00) per day.

13 F. The audited financial reports and actuarial opinions
14 required herein are subject to public inspection pursuant to the
15 Oklahoma Open Records Act.

16 G. The Insurance Commissioner shall, if there is substantial
17 reason to believe that any insurer subject to this section is
18 insolvent, or if any such insurer's condition is such as to render
19 the continuance of its business hazardous to the public or to
20 holders of its policies or certificates of insurance, or it has
21 exceeded its powers, or it has failed to comply with the law, or if
22 such insurer gives its consent:

23 1. Notify the insurer and its participating members of the
24 Commissioner's determination;

1 2. Require the insurer to file with the Insurance Commissioner
2 a written plan of action to abate the Commissioner's determination
3 within thirty (30) days of notification; and

4 3. If the Commissioner makes a further determination to
5 supervise, notify the insurer that it is under supervision pursuant
6 to this section.

7 H. An insurer subject to subsection G of this section shall
8 comply with the lawful requirements of the Commissioner and, if
9 placed under supervision, shall have ninety (90) days from the date
10 of notice within which to comply with the requirements of the
11 Commissioner unless the Commissioner designates a lesser or greater
12 period of time or unless the Commissioner determines at any time
13 during or after the ninety-day period of time that judicial or
14 administrative proceedings should be initiated to place such insurer
15 in conservation, rehabilitation or liquidation proceedings or other
16 delinquency proceedings, pursuant to Sections 1801 through 1920 of
17 this title. If such insurer does not comply with such requirements,
18 such supervision may continue until such requirements are remedied
19 or until the Commissioner approves or completes pursuit of
20 additional options as provided in the Insurance Code.

21 I. The Commissioner may assess a fine for failure to timely
22 file a written plan of action required under subsection G of this
23 section in an amount of not more than Five Hundred Dollars (\$500.00)
24 per day.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

J. The Insurance Commissioner may promulgate rules to implement the provisions of this section.

SECTION 2. This act shall become effective November 1, 2021.

58-1-7815 LRB 02/25/21