



February 11, 2011

HOUSE BILL No. 1486

DIGEST OF HB 1486 (Updated February 10, 2011 8:29 am - DI 97)

Citations Affected: IC 4-22; IC 5-22; IC 27-1; IC 27-2; IC 27-4; IC 27-6; IC 27-7; IC 27-8; IC 27-9; IC 27-13; IC 27-14; IC 27-16; noncode.

Synopsis: Insurance matters. Makes various changes to the law concerning retention of an examiner by the department of insurance, annual audited financial reporting, insurance producer education and licensing, insurer investments, holding company system transactions, insurance administrator licensing fees, risk based capital, credit for reinsurance with reduced collateral, requirements applying to certain domestic insurers and health maintenance organizations, small employer health insurance plans. Adds a law providing for limited purpose subsidiary life insurance companies. Adds a law providing for independent adjuster licensing. Defines "industrial insured" for purposes of certain insurer transactions exempt from licensure requirements. Adds a provision concerning treatment of certain agreements in the event of insurer rehabilitation. Amends a provision concerning the conversion of a mutual insurance holding company into a stock company to replace a reference to the former statute on the demutualization of mutual insurance companies with a reference to the current statute on the demutualization of mutual insurance companies. Defines "working capital" for purposes of the law regulating professional employer organizations (PEOs). Amends the current law applying to PEOs with respect to registration and financial requirements and unemployment compensation status. Repeals provisions concerning notice of insurance administrator claim recoding and concerning individual policies in the small employer group health insurance law. Makes conforming amendments.

Effective: Upon passage; July 1, 2011.

Lehman, Fry C

January 20, 2011, read first time and referred to Committee on Insurance.
February 10, 2011, amended, reported — Do Pass.

HB 1486—LS 7390/DI 97+



C
o
p
y

February 11, 2011

First Regular Session 117th General Assembly (2011)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2010 Regular Session of the General Assembly.

C
O
P
Y

HOUSE BILL No. 1486



A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 4-22-2-37.1, AS AMENDED BY P.L.35-2010,
- 2 SECTION 2, AND AS AMENDED BY P.L.113-2010, SECTION 9, IS
- 3 CORRECTED AND AMENDED TO READ AS FOLLOWS
- 4 [EFFECTIVE UPON PASSAGE]: Sec. 37.1. (a) This section applies
- 5 to a rulemaking action resulting in any of the following rules:
- 6 (1) An order adopted by the commissioner of the Indiana
- 7 department of transportation under IC 9-20-1-3(d) or
- 8 IC 9-21-4-7(a) and designated by the commissioner as an
- 9 emergency rule.
- 10 (2) An action taken by the director of the department of natural
- 11 resources under IC 14-22-2-6(d) or IC 14-22-6-13.
- 12 (3) An emergency temporary standard adopted by the
- 13 occupational safety standards commission under
- 14 IC 22-8-1.1-16.1.
- 15 (4) An emergency rule adopted by the solid waste management
- 16 board under IC 13-22-2-3 and classifying a waste as hazardous.
- 17 (5) A rule, other than a rule described in subdivision (6), adopted

HB 1486—LS 7390/DI 97+



- 1 by the department of financial institutions under IC 24-4.5-6-107
- 2 and declared necessary to meet an emergency.
- 3 (6) A rule required under IC 24-4.5-1-106 that is adopted by the
- 4 department of financial institutions and declared necessary to
- 5 meet an emergency under IC 24-4.5-6-107.
- 6 (7) A rule adopted by the Indiana utility regulatory commission to
- 7 address an emergency under IC 8-1-2-113.
- 8 (8) An emergency rule adopted by the state lottery commission
- 9 under IC 4-30-3-9.
- 10 (9) A rule adopted under IC 16-19-3-5 or IC 16-41-2-1 that the
- 11 executive board of the state department of health declares is
- 12 necessary to meet an emergency.
- 13 (10) An emergency rule adopted by the Indiana finance authority
- 14 under IC 8-21-12.
- 15 (11) An emergency rule adopted by the insurance commissioner
- 16 under IC 27-1-23-7 **or IC 27-1-12.1.**
- 17 (12) An emergency rule adopted by the Indiana horse racing
- 18 commission under IC 4-31-3-9.
- 19 (13) An emergency rule adopted by the air pollution control
- 20 board, the solid waste management board, or the water pollution
- 21 control board under IC 13-15-4-10(4) or to comply with a
- 22 deadline required by or other date provided by federal law,
- 23 provided:
- 24 (A) the variance procedures are included in the rules; and
- 25 (B) permits or licenses granted during the period the
- 26 emergency rule is in effect are reviewed after the emergency
- 27 rule expires.
- 28 (14) An emergency rule adopted by the Indiana election
- 29 commission under IC 3-6-4.1-14.
- 30 (15) An emergency rule adopted by the department of natural
- 31 resources under IC 14-10-2-5.
- 32 (16) An emergency rule adopted by the Indiana gaming
- 33 commission under IC 4-32.2-3-3(b), IC 4-33-4-2, IC 4-33-4-3,
- 34 IC 4-33-4-14, *IC 4-33-22-12*, or IC 4-35-4-2.
- 35 (17) An emergency rule adopted by the alcohol and tobacco
- 36 commission under IC 7.1-3-17.5, IC 7.1-3-17.7, or
- 37 IC 7.1-3-20-24.4.
- 38 (18) An emergency rule adopted by the department of financial
- 39 institutions under IC 28-15-11.
- 40 (19) An emergency rule adopted by the office of the secretary of
- 41 family and social services under IC 12-8-1-12.
- 42 (20) An emergency rule adopted by the office of the children's

C
o
p
y



- 1 health insurance program under IC 12-17.6-2-11.
- 2 (21) An emergency rule adopted by the office of Medicaid policy
- 3 and planning under IC 12-15-41-15.
- 4 (22) An emergency rule adopted by the Indiana state board of
- 5 animal health under IC 15-17-10-9.
- 6 (23) An emergency rule adopted by the board of directors of the
- 7 Indiana education savings authority under IC 21-9-4-7.
- 8 (24) An emergency rule adopted by the Indiana board of tax
- 9 review under IC 6-1.1-4-34 (repealed).
- 10 (25) An emergency rule adopted by the department of local
- 11 government finance under IC 6-1.1-4-33 (repealed).
- 12 (26) An emergency rule adopted by the boiler and pressure vessel
- 13 rules board under IC 22-13-2-8(c).
- 14 (27) An emergency rule adopted by the Indiana board of tax
- 15 review under IC 6-1.1-4-37(l) (repealed) or an emergency rule
- 16 adopted by the department of local government finance under
- 17 IC 6-1.1-4-36(j) (repealed) or IC 6-1.1-22.5-20.
- 18 (28) An emergency rule adopted by the board of the Indiana
- 19 economic development corporation under IC 5-28-5-8.
- 20 (29) A rule adopted by the department of financial institutions
- 21 under IC 34-55-10-2.5.
- 22 (30) A rule adopted by the Indiana finance authority:
- 23 (A) under IC 8-15.5-7 approving user fees (as defined in
- 24 IC 8-15.5-2-10) provided for in a public-private agreement
- 25 under IC 8-15.5;
- 26 (B) under IC 8-15-2-17.2(a)(10):
- 27 (i) establishing enforcement procedures; and
- 28 (ii) making assessments for failure to pay required tolls;
- 29 (C) under IC 8-15-2-14(a)(3) authorizing the use of and
- 30 establishing procedures for the implementation of the
- 31 collection of user fees by electronic or other nonmanual
- 32 means; or
- 33 (D) to make other changes to existing rules related to a toll
- 34 road project to accommodate the provisions of a public-private
- 35 agreement under IC 8-15.5.
- 36 (31) An emergency rule adopted by the board of the Indiana
- 37 health informatics corporation under IC 5-31-5-8.
- 38 ~~(32) An emergency rule adopted by the state athletic commission~~
- 39 ~~under IC 25-9-1-4.5.~~
- 40 ~~(32)~~ ~~(33)~~ (32) An emergency rule adopted by the department of
- 41 child services under IC 31-25-2-21, IC 31-27-2-4, IC 31-27-4-2,
- 42 or IC 31-27-4-3.

COPY



1 ~~(34)~~ (33) An emergency rule adopted by the Indiana real estate
2 commission under IC 25-34.1-2-5(15).
3 ~~(35)~~ (34) *A rule adopted by the department of financial*
4 *institutions under IC 24-4.4-1-101 and determined necessary to*
5 *meet an emergency.*
6 (b) The following do not apply to rules described in subsection (a):
7 (1) Sections 24 through 36 of this chapter.
8 (2) IC 13-14-9.
9 (c) After a rule described in subsection (a) has been adopted by the
10 agency, the agency shall submit the rule to the publisher for the
11 assignment of a document control number. The agency shall submit the
12 rule in the form required by section 20 of this chapter and with the
13 documents required by section 21 of this chapter. The publisher shall
14 determine the format of the rule and other documents to be submitted
15 under this subsection.
16 (d) After the document control number has been assigned, the
17 agency shall submit the rule to the publisher for filing. The agency
18 shall submit the rule in the form required by section 20 of this chapter
19 and with the documents required by section 21 of this chapter. The
20 publisher shall determine the format of the rule and other documents
21 to be submitted under this subsection.
22 (e) Subject to section 39 of this chapter, the publisher shall:
23 (1) accept the rule for filing; and
24 (2) electronically record the date and time that the rule is
25 accepted.
26 (f) A rule described in subsection (a) takes effect on the latest of the
27 following dates:
28 (1) The effective date of the statute delegating authority to the
29 agency to adopt the rule.
30 (2) The date and time that the rule is accepted for filing under
31 subsection (e).
32 (3) The effective date stated by the adopting agency in the rule.
33 (4) The date of compliance with every requirement established by
34 law as a prerequisite to the adoption or effectiveness of the rule.
35 (g) Subject to subsection (h), IC 14-10-2-5, IC 14-22-2-6,
36 IC 22-8-1.1-16.1, and IC 22-13-2-8(c), and except as provided in
37 subsections (j), (k), and (l), a rule adopted under this section expires
38 not later than ninety (90) days after the rule is accepted for filing under
39 subsection (e). Except for a rule adopted under subsection (a)(13),
40 (a)(24), (a)(25), or (a)(27), the rule may be extended by adopting
41 another rule under this section, but only for one (1) extension period.
42 The extension period for a rule adopted under subsection (a)(28) may

C
O
P
Y



1 not exceed the period for which the original rule was in effect. A rule
2 adopted under subsection (a)(13) may be extended for two (2)
3 extension periods. Subject to subsection (j), a rule adopted under
4 subsection (a)(24), (a)(25), or (a)(27) may be extended for an unlimited
5 number of extension periods. Except for a rule adopted under
6 subsection (a)(13), for a rule adopted under this section to be effective
7 after one (1) extension period, the rule must be adopted under:

- 8 (1) sections 24 through 36 of this chapter; or
 - 9 (2) IC 13-14-9;
- 10 as applicable.

11 (h) A rule described in subsection (a)(8), (a)(12), or (a)(29) expires
12 on the earlier of the following dates:

- 13 (1) The expiration date stated by the adopting agency in the rule.
- 14 (2) The date that the rule is amended or repealed by a later rule
15 adopted under sections 24 through 36 of this chapter or this
16 section.

17 (i) This section may not be used to readopt a rule under IC 4-22-2.5.
18 (j) A rule described in subsection (a)(24) or (a)(25) expires not later
19 than January 1, 2006.

20 (k) A rule described in subsection (a)(28) expires on the expiration
21 date stated by the board of the Indiana economic development
22 corporation in the rule.

23 (l) A rule described in subsection (a)(30) expires on the expiration
24 date stated by the Indiana finance authority in the rule.

25 (m) A rule described in subsection (a)(5) or (a)(6) expires on the
26 date the department is next required to issue a rule under the statute
27 authorizing or requiring the rule.

28 SECTION 2. IC 5-22-1-2, AS AMENDED BY P.L.217-2007,
29 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
30 JULY 1, 2011]: Sec. 2. Except as provided in this article, this article
31 does not apply to the following:

- 32 (1) The commission for higher education.
- 33 (2) A state educational institution. However, IC 5-22-5-9 and
34 IC 5-22-15 apply to a state educational institution.
- 35 (3) Military officers and military and armory boards of the state.
- 36 (4) An entity established by the general assembly as a body
37 corporate and politic. However, IC 5-22-15 applies to a body
38 corporate and politic.
- 39 (5) A local hospital authority under IC 5-1-4.
- 40 (6) A municipally owned utility under IC 8-1-11.1 or IC 8-1.5.
- 41 (7) Hospitals established and operated under IC 16-22-1 through
42 IC 16-22-5, IC 16-22-8, IC 16-23-1, or IC 16-24-1.

C
o
p
y



- 1 (8) A library board under IC 36-12-3-16(b).
- 2 (9) A local housing authority under IC 36-7-18.
- 3 (10) Tax exempt Indiana nonprofit corporations leasing and
- 4 operating a city market owned by a political subdivision.
- 5 (11) A person paying for a purchase or lease with funds other than
- 6 public funds.
- 7 (12) A person that has entered into an agreement with a
- 8 governmental body under IC 5-23.
- 9 (13) A municipality for the operation of municipal facilities used
- 10 for the collection, treatment, purification, and disposal in a
- 11 sanitary manner of liquid and solid waste, sewage, night soil, and
- 12 industrial waste.
- 13 (14) The department of financial institutions established by
- 14 IC 28-11-1-1.
- 15 **(15) The insurance commissioner in retaining an examiner for**
- 16 **purposes of IC 27-1-3.1-9.**
- 17 SECTION 3. IC 27-1-2-3 IS AMENDED TO READ AS FOLLOWS
- 18 [EFFECTIVE JULY 1, 2011]: Sec. 3. As used in this article, and unless
- 19 a different meaning appears from the context: (a) "Insurance" means a
- 20 contract of insurance or an agreement by which one (1) party, for a
- 21 consideration, promises to pay money or its equivalent or to do an act
- 22 valuable to the insured upon the destruction, loss or injury of
- 23 something in which the other party has a pecuniary interest, or in
- 24 consideration of a price paid, adequate to the risk, becomes security to
- 25 the other against loss by certain specified risks; to grant indemnity or
- 26 security against loss for a consideration.
- 27 (b) "Commissioner" means the "insurance commissioner" of this
- 28 state.
- 29 (c) "Department" means "the department of insurance" of this state.
- 30 (d) The term "company" or "corporation" means an insurance
- 31 company and includes all persons, partnerships, corporations,
- 32 associations, orders or societies engaged in or proposing to engage in
- 33 making any kind of insurance authorized by the laws of this state.
- 34 (e) The term "domestic company" or "domestic corporation" means
- 35 an insurance company organized under the insurance laws of this state.
- 36 (f) The term "foreign company" or "foreign corporation" means an
- 37 insurance company organized under the laws of any state of the United
- 38 States other than this state or under the laws of any territory or insular
- 39 possession of the United States or the District of Columbia.
- 40 (g) The term "alien company" or "alien corporation" means an
- 41 insurance company organized under the laws of any country other than
- 42 the United States or territory or insular possession thereof or of the

C
o
p
y



1 District of Columbia.

2 (h) The term "person" includes individuals, corporations,
3 associations, and partnerships; personal pronoun includes all genders;
4 the singular includes the plural and the plural includes the singular.

5 (k) The term "insurance solicitor" means any natural person
6 employed to aid an insurance producer in any manner in soliciting,
7 negotiating, or effecting contracts of insurance or indemnity other than
8 life.

9 (l) The term "principal office" means that office maintained by the
10 corporation in this state, the address of which is required by the
11 provisions of this article to be kept on file in the office of the
12 department.

13 (m) The term "articles of incorporation" includes both the original
14 articles of incorporation and any and all amendments thereto, except
15 where the original articles of incorporation only are expressly referred
16 to, and includes articles of merger, consolidation and reinsurance, and
17 in case of corporations, heretofore organized, articles of reorganization
18 filed in the office of the secretary of state, and all amendments thereto.

19 (n) The term "shareholder" means one who is a holder of record of
20 shares of stock in a corporation, unless the context otherwise requires.

21 (o) The term "policyholder" means one who is a holder of a contract
22 of insurance in an insurance company.

23 (p) The term "member" means one who holds a contract of
24 insurance or is insured in an insurance company other than a stock
25 corporation.

26 (q) The term "capital stock" means the aggregate amount of the par
27 value of all shares of capital stock.

28 (r) The term "capital" means the aggregate amount paid in on the
29 shares of capital stock of a corporation issued and outstanding.

30 (s) The term "life insurance company" means any company making
31 one or more of the kinds of insurance set out and defined in class 1(a)
32 of IC 27-1-5-1.

33 (t) The term "casualty insurance company" means any company
34 making the kind or kinds of insurance set out and defined in class 2 of
35 IC 27-1-5-1.

36 (u) The term "fire and marine insurance company" means any
37 company making the kind or kinds of insurance set out and defined in
38 class 3 of IC 27-1-5-1.

39 (v) The term "certificate of authority" means an instrument in
40 writing issued by the department to an insurer, which sets out the
41 authority of such insurer to engage in the business of insurance or
42 activities connected therewith.

C
O
P
Y



1 (w) The term "premium" means money or any other thing of value
2 paid or given in consideration to an insurer, insurance producer, or
3 solicitor on account of or in connection with a contract of insurance
4 and shall include as a part but not in limitation of the above, policy
5 fees, admission fees, membership fees and regular or special
6 assessments and payments made on account of annuities.

7 (x) The term "insurer" means a company, firm, partnership,
8 association, order, society or system making any kind or kinds of
9 insurance and shall include associations operating as Lloyds, reciprocal
10 or inter-insurers, or individual underwriters.

11 (y) The terms "assessment plan" and "assessment insurance" mean
12 the mode or plan and the business of a corporation, association or
13 society organized and limited to the making of insurance on the lives
14 of persons and against disability from disease, bodily injury or death by
15 accident, and which provides for the payment of policy claims,
16 accumulation of reserve or emergency funds, and the expenses of the
17 management and prosecution of its business by payments to be made
18 either at stated periods named in the contract or upon assessments, and
19 wherein the insured's liability to contribute is not limited to a fixed
20 sum.

21 (z) "Agency billed" refers to a system in which an insured pays a
22 premium directly to an insurance agency.

23 **(aa) "Reinsurer" means an insurer that:**

- 24 **(1) is principally engaged in the business of reinsurance;**
- 25 **(2) does not conduct a significant amount of direct insurance**
- 26 **as a percentage of the insurer's net premiums; and**
- 27 **(3) is not engaged on an ongoing basis in the business of**
- 28 **soliciting direct insurance.**

29 SECTION 4. IC 27-1-3.1-14 IS AMENDED TO READ AS
30 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 14. (a) Upon the
31 adoption of an examination report under section 11(a)(1) of this
32 chapter, the commissioner shall continue to hold the content of the
33 examination report as confidential information for a period of thirty
34 (30) days except to the extent provided in section 10(b) of this chapter.
35 Thereafter, the report shall be open for public inspection.

36 (b) This chapter does not prevent or prohibit the commissioner from
37 disclosing the content of an examination report, preliminary
38 examination report, or results, or any matter relating thereto, to **the**
39 **National Association of Insurance Commissioners**, the insurance
40 department of any other state or country, or to law enforcement
41 officials of Indiana or any other state or agency of the federal
42 government at any time, if the agency or office receiving the report or

C
o
p
y



1 matters relating thereto agrees in writing to hold it confidential and in
2 a manner consistent with this chapter.

3 (c) If the commissioner determines that regulatory action is
4 appropriate as a result of any examination, the commissioner may
5 initiate any proceedings or actions authorized by law.

6 (d) This chapter does not limit the commissioner's authority to use
7 and, if appropriate, to make public any final or preliminary examination
8 report, any examiner or company work papers or other documents, or
9 any other information discovered or developed during the course of any
10 examination in the furtherance of any legal or regulatory action that the
11 commissioner may, in the commissioner's sole discretion, consider
12 appropriate.

13 SECTION 5. IC 27-1-3.1-15 IS AMENDED TO READ AS
14 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 15. All working papers,
15 recorded information, documents, and copies thereof produced by,
16 obtained by, or disclosed to the commissioner or any other person in
17 the course of an examination under this chapter (**including trade
18 secrets and information obtained from a federal agency, a foreign
19 country, or the National Association of Insurance Commissioners,
20 or under another state law**) are confidential for the purposes of
21 IC 5-14-3-4, are not subject to subpoena, and may not be made public
22 by the commissioner or any other person, except to the extent provided
23 in section 14 of this chapter. However, access may also be granted to
24 the National Association of Insurance Commissioners. Those parties
25 must agree in writing prior to receiving the information to provide to
26 it the same confidential treatment as required by this section, unless the
27 prior written consent of the company to which it pertains has been
28 obtained.

29 SECTION 6. IC 27-1-3.5-9 IS AMENDED TO READ AS
30 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 9. (a) For the purposes
31 of this chapter, the commissioner may not recognize as an independent
32 auditor any individual or firm that is not:

- 33 (1) a certified public accountant (if an individual) or made up of
34 certified public accountants (if a firm); or
- 35 (2) in good standing with:
 - 36 (A) the American Institute of Certified Public Accountants;
37 and
 - 38 (B) all of the authorities that license certified public
39 accountants and certified public accounting firms in the states
40 in which the individual or firm is licensed to practice.

41 (b) A partner or other individual responsible for rendering a report
42 may not act in that capacity for more than ~~seven~~ (7) **five (5)**

C
o
p
y



1 consecutive years. An individual who has been responsible for
 2 rendering a report for ~~seven (7)~~ **five (5)** years is disqualified from
 3 acting in that or a similar capacity for the same company or its
 4 insurance subsidiaries or affiliates for ~~two (2)~~ **five (5)** years. A
 5 domestic insurer may apply to the commissioner and request to be
 6 exempted from the ~~seven (7)~~ **five (5)** year rotation requirement on the
 7 basis of unusual circumstances. The commissioner may consider the
 8 following factors in determining if relief should be granted:

- 9 (1) The number of partners, expertise of the partners, or number
 10 of insurance clients in the currently registered firm.
 11 (2) The premium volume of the domestic insurer.
 12 (3) The number of jurisdictions in which the domestic insurer
 13 transacts business.

14 (c) The commissioner may not recognize as an independent auditor
 15 or accept an annual audited financial report prepared in whole or part
 16 by a person who:

- 17 (1) has been convicted of fraud, bribery, a violation of the
 18 Racketeer Influenced and Corrupt Organizations Act under
 19 federal law (18 U.S.C. 1961 through 1968) or state law
 20 (IC 35-45-6) or any dishonest conduct or practices under federal
 21 or state law;
 22 (2) has been found to have violated the insurance law of this state
 23 with respect to any previous reports submitted under this chapter;
 24 or
 25 (3) has demonstrated a pattern or practice of failing to detect or
 26 disclose material information in previous reports filed under this
 27 chapter.

28 (d) The commissioner may conduct a hearing under IC 4-21.5 to
 29 determine whether an independent auditor engaged by a domestic
 30 insurer is sufficiently independent of that domestic insurer to be
 31 capable of exercising independent judgment and expressing an
 32 objective opinion on the financial statements in the annual financial
 33 report filed by the insurer under this chapter. If the commissioner
 34 determines that the auditor is not sufficiently independent of the
 35 insurer, the commissioner shall require the insurer to replace the
 36 auditor with another that is sufficiently independent of the insurer.

37 SECTION 7. IC 27-1-12.1 IS ADDED TO THE INDIANA CODE
 38 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 39 UPON PASSAGE]:

40 **Chapter 12.1. Limited Purpose Subsidiary Life Insurance**
 41 **Companies**

42 **Sec. 1. As used in this chapter, "affiliate" means a domestic life**

C
o
p
y



1 insurance company that is a wholly owned subsidiary of the parent
 2 of a limited purpose subsidiary.

3 Sec. 2. As used in this chapter, "limited purpose subsidiary"
 4 means a subsidiary life insurance company that is organized under
 5 this chapter.

6 Sec. 3. As used in this chapter, "organizing domestic life
 7 insurance company" refers to a life insurance company that
 8 organizes a limited purpose subsidiary under this chapter.

9 Sec. 4. As used in this chapter, "parent" means a person that
 10 through at least one (1) intermediary wholly owns an organizing
 11 domestic life insurance company.

12 Sec. 5. As used in this chapter, "risk" means a risk:

13 (1) that is associated with a life insurance policy that is:

14 (A) written by a ceding domestic life insurance company;

15 or

16 (B) assumed by a ceding domestic life insurance company
 17 from an affiliate; and

18 (2) for which a ceding domestic life insurance company holds
 19 direct statutory reserves for the policy as required under
 20 IC 27-1-12-10.5.

21 Sec. 6. A domestic life insurance company that is authorized to
 22 engage in the business of insurance in Indiana may organize a
 23 limited purpose subsidiary under this chapter.

24 Sec. 7. Before assuming risk under a reinsurance contract, a
 25 limited purpose subsidiary must do all of the following:

26 (1) Comply with IC 27-1-6.

27 (2) File with the commissioner an affidavit, signed by the
 28 limited purpose subsidiary's president, vice president,
 29 treasurer, or chief financial officer, including all of the
 30 following to the best of the individual's knowledge after
 31 reasonable inquiry:

32 (A) That the proposed organization and operation of the
 33 limited purpose subsidiary complies with this chapter.

34 (B) That the limited purpose subsidiary's investment policy
 35 reflects and considers the liquidity of assets and the
 36 reasonable preservation, administration, and management
 37 of the assets with respect to the risks associated with
 38 reinsurance contracts issued by the limited purpose
 39 subsidiary.

40 (C) That the reinsurance contract and any arrangement
 41 intended to secure the limited purpose subsidiary's
 42 obligations under the reinsurance contract (including an

COPY



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

agreement to implement the arrangement) comply with this chapter.

(3) File with the commissioner the opinion of a qualified independent actuary approved by the commissioner that the methodology and assumptions (including significant stress tests of key assumptions) used to establish and discount reserves held by the limited purpose subsidiary are sufficient to provide for the risk assumed by the limited purpose subsidiary.

(4) File with the commissioner the limited purpose subsidiary's plan of operation, including the following:

(A) A statement that the limited purpose subsidiary will, before each offer and sale of securities of or by the limited purpose subsidiary, file with the commissioner, in a form acceptable to the commissioner, a legal opinion that the offering and sale of securities:

- (i) of the limited purpose subsidiary complies with all federal securities laws; and
- (ii) by the limited purpose subsidiary complies with all Indiana securities laws.

(B) A complete description of all reinsurance transactions, reinsurance security arrangements, securitizations, and any other material transactions or arrangements of the limited purpose subsidiary.

(C) The source and form of the limited purpose subsidiary's capital and surplus.

(D) The investment policy of the limited purpose subsidiary.

(E) Pro forma balance sheets and income statements that illustrate at least one (1) adverse case scenario, as determined using criteria required by the commissioner, for the performance of the limited purpose subsidiary under all reinsurance contracts.

(F) Risk-based capital requirements, including a requirement that the limited purpose subsidiary must maintain risk-based capital equal to the product of two and one half (2 1/2) and the number determined under the life risk-based capital formula in accordance with the National Association of Insurance Commissioners' risk-based capital instructions.

(G) Notice and reporting of material transactions.

(H) Policies for payment of dividends and other

C
o
p
y



1 distributions to the organizing domestic life insurance
2 company.
3 (I) Copies of all contracts between the limited purpose
4 subsidiary and affiliates.
5 (J) Other documentation or information required by the
6 commissioner.
7 (5) Obtain from the commissioner a certificate of authority to
8 engage in the business of reinsurance in Indiana.
9 Sec. 8. (a) The commissioner may issue a certificate of authority
10 to a limited purpose subsidiary upon a finding by the commissioner
11 of all of the following:
12 (1) That the proposed plan of operation provides for a viable
13 operation of the limited purpose subsidiary.
14 (2) That the terms of all proposed reinsurance contracts and
15 related transactions of the limited purpose subsidiary comply
16 with this chapter and any other applicable insurance laws.
17 (3) That the proposed plan of operation is not hazardous to
18 any ceding insurer.
19 (b) The commissioner may, in conjunction with the issuance of
20 a certificate of authority to a limited purpose subsidiary, issue an
21 order containing any terms or conditions applying to the limited
22 purpose subsidiary's authority to engage in the business of
23 reinsurance, including terms or conditions concerning the
24 organization, licensing, or operation of the limited purpose
25 subsidiary, consistent with this chapter and determined necessary
26 by the commissioner.
27 (c) A limited purpose subsidiary shall produce or disclose its
28 plan of operation, amendments, and records, books, documents,
29 reports, and other information that the commissioner requires the
30 limited purpose subsidiary to produce or disclose under:
31 (1) this chapter;
32 (2) rules adopted under section 15 of this chapter; or
33 (3) an order under IC 27-1-3.1.
34 (d) The commissioner has the powers enumerated in IC 27-1-3.1
35 with respect to a limited purpose subsidiary.
36 Sec. 9. A limited purpose subsidiary that is granted a certificate
37 of authority by the commissioner under this chapter:
38 (1) is wholly owned by the organizing domestic life insurance
39 company;
40 (2) is authorized to engage in the business of reinsurance for
41 purposes of IC 27-6-10 only for the lines of insurance for
42 which the:

COPY



- 1 (A) organizing domestic life insurance company; and
- 2 (B) affiliates of the organizing domestic life insurance
- 3 company;
- 4 are authorized;
- 5 (3) may reinsure only risks of:
- 6 (A) the organizing domestic life insurance company; and
- 7 (B) affiliates of the organizing domestic life insurance
- 8 company; and
- 9 (4) may access alternative forms of financing.

10 Sec. 10. An organizing domestic life insurance company may
 11 invest funds from the organizing domestic life insurance company's
 12 surplus in a limited purpose subsidiary that is organized by the
 13 organizing domestic life insurance company.

14 Sec. 11. The officers and directors of an organizing domestic life
 15 insurance company may serve as officers and directors of a limited
 16 purpose subsidiary organized by the organizing domestic life
 17 insurance company.

18 Sec. 12. A limited purpose subsidiary may, upon approval of the
 19 commissioner, purchase reinsurance to cede the reinsurance risks
 20 assumed by the limited purpose subsidiary.

21 Sec. 13. Assets of a limited purpose subsidiary that are approved
 22 by the commissioner as admitted assets must:

- 23 (1) comply with requirements established by the
- 24 commissioner under section 14 of this chapter; and
- 25 (2) be reported as admitted assets of the limited purpose
- 26 subsidiary.

27 Sec. 14. (a) A limited purpose subsidiary shall do the following:

- 28 (1) Provide to the commissioner, not later than forty-five (45)
- 29 days after the closing date of the transactions of an insurance
- 30 securitization, a copy of a complete set of executed
- 31 documentation of the insurance securitization.
- 32 (2) Notify the commissioner, not later than two (2) business
- 33 days after any material change in the financial condition or
- 34 management of the limited purpose subsidiary, written notice
- 35 of the material change.
- 36 (3) Annually file with the commissioner the actuarial opinion
- 37 of the limited purpose subsidiary's internal actuary
- 38 concerning reserves held by the limited purpose subsidiary
- 39 for all risks assumed by the limited purpose subsidiary under
- 40 the limited purpose subsidiary's reinsurance contracts.
- 41 (4) Biennially file with the commissioner the actuarial
- 42 opinion:

COPY



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

(A) of a qualified independent actuary approved by the commissioner; and

(B) concerning the methodology and assumptions used by the limited purpose subsidiary in establishing the reserves held by the limited purpose subsidiary.

(5) Annually file with the commissioner a report of the limited purpose subsidiary's risk-based capital level as of the end of the immediately preceding calendar year, including the information required by the risk-based capital instructions of the National Association of Insurance Commissioners.

(6) Immediately notify the commissioner concerning any action by a ceding insurer or other person to foreclose on or otherwise take possession of collateral provided by the limited purpose subsidiary to secure an obligation of the limited purpose subsidiary.

(b) A limited purpose subsidiary may, after approval of the commissioner, discount the reserves held by the limited purpose subsidiary in accordance with an actuarial opinion filed under subsection (a)(3).

(c) Unless otherwise required by the commissioner, a limited purpose subsidiary is not required to file a report, notice, or other document with the National Association of Insurance Commissioners.

Sec. 15. (a) The commissioner shall, before approving a limited purpose subsidiary under this chapter, adopt rules under IC 4-22-2 to implement this chapter.

(b) The rules adopted under subsection (a) must specify the following concerning limited purpose subsidiaries:

- (1) Requirements for reserves, including actuarial certification.
- (2) Requirements for securities.
- (3) Authorized investments.
- (4) Requirements with respect to reinsurance ceded or assumed by the limited purpose subsidiary.
- (5) Requirements for dividends and distributions.
- (6) Requirements for operations.
- (7) Conditions of, forms for, and approval of the financing of a limited purpose subsidiary.

(c) The commissioner may adopt emergency rules under IC 4-22-2-37.1 to implement this section if the commissioner determines that:

- (1) the need for a rule is so immediate and substantial that

C
O
P
Y



1 **rulemaking procedures under IC 4-22-2-23 through**
2 **IC 4-22-2-36 are inadequate to address the need; and**
3 **(2) an emergency rule is likely to address the need.**

4 SECTION 8. IC 27-1-15.6-2, AS AMENDED BY P.L.145-2006,
5 SECTION 163, IS AMENDED TO READ AS FOLLOWS
6 [EFFECTIVE JULY 1, 2011]: Sec. 2. The following definitions apply
7 throughout this chapter, IC 27-1-15.7, and IC 27-1-15.8:

8 (1) "Bureau" refers to the child support bureau established by
9 IC 31-25-3-1.

10 (2) "Business entity" means a corporation, an association, a
11 partnership, a limited liability company, a limited liability
12 partnership, or another legal entity.

13 (3) "Commissioner" means the insurance commissioner appointed
14 under IC 27-1-1-2.

15 (4) "Consultant" means a person who:
16 (A) holds himself or herself out to the public as being engaged
17 in the business of offering; or
18 (B) for a fee, offers;
19 any advice, counsel, opinion, or service with respect to the
20 benefits, advantages, or disadvantages promised under any policy
21 of insurance that could be issued in Indiana.

22 (5) "Delinquent" means the condition of being at least:
23 (A) two thousand dollars (\$2,000); or
24 (B) three (3) months;
25 past due in the payment of court ordered child support.

26 **(6) "FINRA" refers to the independent Financial Industry**
27 **Regulatory Authority.**

28 ~~(7)~~ (7) "Home state" means the District of Columbia or any state
29 or territory of the United States in which an insurance producer:
30 (A) maintains the insurance producer's principal place of
31 residence or principal place of business; and
32 (B) is licensed to act as an insurance producer.

33 ~~(7)~~ (8) "Insurance producer" means a person required to be
34 licensed under the laws of Indiana to sell, solicit, or negotiate
35 insurance.

36 ~~(8)~~ (9) "License" means a document issued by the commissioner
37 authorizing a person to act as an insurance producer for the lines
38 of authority specified in the document. The license itself does not
39 create any authority, actual, apparent, or inherent, in the holder to
40 represent or commit an insurance carrier.

41 ~~(9)~~ (10) "Limited line credit insurance" includes the following:
42 (A) Credit life insurance.

C
o
p
y



- 1 (B) Credit disability insurance.
- 2 (C) Credit property insurance.
- 3 (D) Credit unemployment insurance.
- 4 (E) Involuntary unemployment insurance.
- 5 (F) Mortgage life insurance.
- 6 (G) Mortgage guaranty insurance.
- 7 (H) Mortgage disability insurance.
- 8 (I) Guaranteed automobile protection (gap) insurance.
- 9 (J) Any other form of insurance:
 - 10 (i) that is offered in connection with an extension of credit
 - 11 and is limited to partially or wholly extinguishing that credit
 - 12 obligation; and
 - 13 (ii) that the insurance commissioner determines should be
 - 14 designated a form of limited line credit insurance.
- 15 ~~(10)~~ **(11)** "Limited line credit insurance producer" means a person
- 16 who sells, solicits, or negotiates one (1) or more forms of limited
- 17 line credit insurance coverage to individuals through a master,
- 18 corporate, group, or individual policy.
- 19 ~~(11)~~ **(12)** "Limited lines insurance" means any of the following:
 - 20 (A) The lines of insurance defined in section 18 of this
 - 21 chapter.
 - 22 (B) Any line of insurance the recognition of which is
 - 23 considered necessary by the commissioner for the purpose of
 - 24 complying with section 8(e) of this chapter.
 - 25 (C) For purposes of section 8(e) of this chapter, any form of
 - 26 insurance with respect to which authority is granted by a home
 - 27 state that restricts the authority granted by a limited lines
 - 28 producer's license to less than total authority in the associated
 - 29 major lines described in section 7(a)(1) through 7(a)(6) of this
 - 30 chapter.
- 31 ~~(12)~~ **(13)** "Limited lines producer" means a person authorized by
- 32 the commissioner to sell, solicit, or negotiate limited lines
- 33 insurance.
- 34 ~~(13)~~ **(14)** "Negotiate" means the act of conferring directly with or
- 35 offering advice directly to a purchaser or prospective purchaser of
- 36 a particular contract of insurance concerning any of the
- 37 substantive benefits, terms, or conditions of the contract, provided
- 38 that the person engaged in that act either sells insurance or
- 39 obtains insurance from insurers for purchasers.
- 40 ~~(14)~~ **(15)** "Person" means an individual or a business entity.
- 41 ~~(15)~~ **(16)** "Sell" means to exchange a contract of insurance by any
- 42 means, for money or its equivalent, on behalf of a company.

C
O
P
Y



1 ~~(16)~~ **(17)** "Solicit" means attempting to sell insurance or asking or
 2 urging a person to apply for a particular kind of insurance from a
 3 particular company.
 4 ~~(17)~~ **(18)** "Surplus lines producer" means a person who sells,
 5 solicits, negotiates, or procures from an insurance company not
 6 licensed to transact business in Indiana an insurance policy that
 7 cannot be procured from insurers licensed to do business in
 8 Indiana.
 9 ~~(18)~~ **(19)** "Terminate" means:
 10 (A) the cancellation of the relationship between an insurance
 11 producer and the insurer; or
 12 (B) the termination of a producer's authority to transact
 13 insurance.
 14 ~~(19)~~ **(20)** "Uniform business entity application" means the current
 15 version of the national association of insurance commissioners
 16 uniform business entity application for resident and nonresident
 17 business entities.
 18 ~~(20)~~ **(21)** "Uniform application" means the current version of the
 19 national association of insurance commissioners uniform
 20 application for resident and nonresident producer licensing.
 21 SECTION 9. IC 27-1-15.6-7 IS AMENDED TO READ AS
 22 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 7. (a) Unless denied
 23 licensure under section 12 of this chapter, a person who has met the
 24 requirements of sections 5 and 6 of this chapter shall be issued an
 25 insurance producer license. An insurance producer may receive
 26 qualification for a license in one **(1)** or more of the following lines of
 27 authority:
 28 (1) Life — insurance coverage on human lives, including benefits
 29 of endowment and annuities, that may include benefits in the
 30 event of death or dismemberment by accident and benefits for
 31 disability income.
 32 (2) Accident and health or sickness — insurance coverage for
 33 sickness, bodily injury, or accidental death that may include
 34 benefits for disability income.
 35 (3) Property — insurance coverage for the direct or consequential
 36 loss of or damage to property of every kind.
 37 (4) Casualty — insurance coverage against legal liability,
 38 including liability for death, injury, or disability, or for damage to
 39 real or personal property.
 40 (5) Variable life and variable annuity products — insurance
 41 coverage provided under variable life insurance contracts and
 42 variable annuities.

C
o
p
y



- 1 (6) Personal lines — property and casualty insurance coverage
 2 sold to individuals and families for primarily noncommercial
 3 purposes.
 4 (7) Credit — limited line credit insurance.
 5 (8) Title — insurance coverage against loss or damage on account
 6 of encumbrances on or defects in the title to real estate.
 7 (9) Any other line of insurance permitted under Indiana laws or
 8 administrative rules.
- 9 (b) A person who requests ~~and receives~~ qualification under
 10 subsection (a)(5) for variable life and annuity products:
 11 (1) is considered to have requested; and
 12 (2) shall receive;
 13 a life qualification under subsection (a)(1) **until the person completes**
 14 **the educational requirement specified in section 19.5 of this**
 15 **chapter and changes the person's life qualification status to a**
 16 **variable life and variable annuity products qualification status**
 17 **under section 19.5 of this chapter.**
- 18 (c) A resident insurance producer may not request separate
 19 qualifications for property insurance and casualty insurance under
 20 subsection (a).
- 21 (d) An insurance producer license remains in effect unless revoked
 22 or suspended, as long as the renewal fee set forth in section 32 of this
 23 chapter is paid and the educational requirements for resident individual
 24 producers are met by the due date.
- 25 (e) An individual insurance producer who:
 26 (1) allows the individual insurance producer's license to lapse;
 27 and
 28 (2) completed all required continuing education before the license
 29 expired;
 30 may, not more than twelve (12) months after the expiration date of the
 31 license, reinstate the same license without the necessity of passing a
 32 written examination. A penalty in the amount of three (3) times the
 33 unpaid renewal fee shall be required for any renewal fee received after
 34 the expiration date of the license. However, the department of
 35 insurance may waive the penalty if the renewal fee is received not more
 36 than thirty (30) days after the expiration date of the license.
- 37 (f) A licensed insurance producer who is unable to comply with
 38 license renewal procedures due to military service or some other
 39 extenuating circumstance may request a waiver of the license renewal
 40 procedures. The producer may also request a waiver of any
 41 examination requirement or any other fine or sanction imposed for
 42 failure to comply with the license renewal procedures.

C
O
P
Y

1 (g) An insurance producer license shall contain the licensee's name,
2 address, personal identification number, date of issuance, lines of
3 authority, expiration date, and any other information the commissioner
4 considers necessary.

5 (h) A licensee shall inform the commissioner of a change of address
6 not more than thirty (30) days after the change by any means
7 acceptable to the commissioner. The failure of a licensee to timely
8 inform the commissioner of a change in legal name or address shall
9 result in a penalty under section 12 of this chapter.

10 (i) To assist in the performance of the commissioner's duties, the
11 commissioner may contract with nongovernmental entities, including
12 the National Association of Insurance Commissioners (NAIC), or any
13 affiliates or subsidiaries that the NAIC oversees, to perform ministerial
14 functions, including the collection of fees related to producer licensing,
15 that the commissioner and the nongovernmental entity consider
16 appropriate.

17 (j) The commissioner may participate, in whole or in part, with the
18 NAIC or any affiliate or subsidiary of the NAIC in a centralized
19 insurance producer license registry through which insurance producer
20 licenses are centrally or simultaneously effected for states that require
21 an insurance producer license and participate in the centralized
22 insurance producer license registry. If the commissioner determines
23 that participation in the centralized insurance producer license registry
24 is in the public interest, the commissioner may adopt rules under
25 IC 4-22-2 specifying uniform standards and procedures that are
26 necessary for participation in the registry, including standards and
27 procedures for centralized license fee collection.

28 SECTION 10. IC 27-1-15.6-9 IS AMENDED TO READ AS
29 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 9. (a) An individual
30 who applies for an insurance producer license in Indiana and who was
31 previously licensed for the same lines of authority in another state is
32 not required to complete any prelicensing education or examination.
33 However, the exemption provided by this subsection is available only
34 if:

- 35 (1) the individual is currently licensed in the other state; or
- 36 (2) the application is received within ninety (90) days after the
37 cancellation of the applicant's previous license and:
 - 38 (A) the other state issues a certification that, at the time of
39 cancellation, the applicant was in good standing in that state;
 - 40 or
 - 41 (B) the state's Producer Database records that are maintained
42 by the National Association of Insurance Commissioners, its

C
o
p
y



1 affiliates, or its subsidiaries, indicate that the producer is or
 2 was licensed in good standing for the line of authority
 3 requested.

4 (b) If a person is licensed as an insurance producer in another state
 5 and moves to Indiana, the person, to be authorized to act as an
 6 insurance producer in Indiana, must make application to become a
 7 resident licensee under section 6 of this chapter within ninety (90) days
 8 after establishing legal residence in Indiana. However, the person is not
 9 required to take prelicensing education or examination to obtain a
 10 license for any line of authority for which the person held a license in
 11 the other state unless the commissioner determines otherwise by rule.

12 (c) An individual who:

13 (1) has attained the designation of chartered life underwriter,
 14 certified financial planner, ~~or~~ chartered financial consultant, **or**
 15 **another nationally recognized designation approved by the**
 16 **commissioner or the National Association of Insurance**
 17 **Commissioners; and**

18 (2) applies for an insurance producer license in Indiana requesting
 19 qualification under sections:

20 (A) 7(a)(1);

21 (B) 7(a)(2); or

22 (C) 7(a)(5);

23 of this chapter;

24 is not required to complete prelicensing education and is required to
 25 take only the portion of the examination required under section 5(b) of
 26 this chapter that pertains to Indiana laws and rules.

27 (d) An individual who: ~~has:~~

28 (1) ~~has~~ attained the designation of chartered property and casualty
 29 underwriter, certified insurance counselor, ~~or~~ accredited advisor
 30 in insurance, **or another nationally recognized designation**
 31 **approved by the commissioner or the National Association of**
 32 **Insurance Commissioners; and**

33 (2) applies for an insurance producer license in Indiana requesting
 34 qualification under sections:

35 (A) 7(a)(3);

36 (B) 7(a)(4); or

37 (C) 7(a)(6);

38 of this chapter;

39 is not required to complete prelicensing education and is required to
 40 take only the portion of the examination required under section 5(b) of
 41 this chapter that pertains to Indiana laws and rules.

42 (e) An individual who:

C
O
P
Y



1 **(1) has attained a bachelor's degree in insurance; and**
 2 **(2) applies for an insurance producer license in Indiana**
 3 **requesting qualification under section 7(a)(1) through 7(a)(6)**
 4 **of this chapter;**
 5 **is not required to complete prelicensing education and is required**
 6 **to take only the part of the examination required under section 5**
 7 **of this chapter that pertains to Indiana laws and rules.**

8 SECTION 11. IC 27-1-15.6-12, AS AMENDED BY P.L.27-2007,
 9 SECTION 26, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 10 JULY 1, 2011]: Sec. 12. (a) For purposes of this section, "permanently
 11 revoke" means that:

- 12 (1) the producer's license shall never be reinstated; and
- 13 (2) the former licensee, after the license revocation, is not eligible
 14 to submit an application for a license to the department.

15 (b) The commissioner may **reprimand**, levy a civil penalty, place
 16 an insurance producer on probation, suspend an insurance producer's
 17 license, revoke an insurance producer's license for a period of years,
 18 permanently revoke an insurance producer's license, or refuse to issue
 19 or renew an insurance producer license, or take any combination of
 20 these actions, for any of the following causes:

- 21 (1) Providing incorrect, misleading, incomplete, or materially
 22 untrue information in a license application.
- 23 (2) Violating:
 - 24 (A) an insurance law;
 - 25 (B) a regulation;
 - 26 (C) a subpoena of an insurance commissioner; or
 - 27 (D) an order of an insurance commissioner;
- 28 of Indiana or of another state.
- 29 (3) Obtaining or attempting to obtain a license through
 30 misrepresentation or fraud.
- 31 (4) Improperly withholding, misappropriating, or converting any
 32 monies or properties received in the course of doing insurance
 33 business.
- 34 (5) Intentionally misrepresenting the terms of an actual or
 35 proposed insurance contract or application for insurance.
- 36 (6) Having been convicted of a felony.
- 37 (7) Admitting to having committed or being found to have
 38 committed any unfair trade practice or fraud in the business of
 39 insurance.
- 40 (8) Using fraudulent, coercive, or dishonest practices, or
 41 demonstrating incompetence, untrustworthiness, or financial
 42 irresponsibility in the conduct of business in Indiana or elsewhere.

C
 o
 p
 y



- 1 (9) Having an insurance producer license, or its equivalent,
- 2 denied, suspended, or revoked in any other state, province,
- 3 district, or territory.
- 4 (10) Forging another's name to an application for insurance or to
- 5 any document related to an insurance transaction.
- 6 (11) Improperly using notes or any other reference material to
- 7 complete an examination for an insurance license.
- 8 (12) Knowingly accepting insurance business from an individual
- 9 who is not licensed.
- 10 (13) Failing to comply with an administrative or court order
- 11 imposing a child support obligation.
- 12 (14) Failing to pay state income tax or to comply with any
- 13 administrative or court order directing payment of state income
- 14 tax.
- 15 (15) Failing to satisfy the continuing education requirements
- 16 established by IC 27-1-15.7.
- 17 (16) Violating section 31 of this chapter.
- 18 (17) Failing to timely inform the commissioner of a change in
- 19 legal name or address, in violation of section 7(h) of this chapter.
- 20 (c) The commissioner shall refuse to:
- 21 (1) issue a license; or
- 22 (2) renew a license issued;
- 23 under this chapter to any person who is the subject of an order issued
- 24 by a court under IC 31-14-12-7 or IC 31-16-12-10 (or
- 25 IC 31-1-11.5-13(m) or IC 31-6-6.1-16(m) before their repeal).
- 26 (d) If the commissioner refuses to renew a license or denies an
- 27 application for a license, the commissioner shall notify the applicant or
- 28 licensee and advise the applicant or licensee, in a writing sent through
- 29 regular first class mail, of the reason for the denial of the applicant's
- 30 application or the nonrenewal of the licensee's license. The applicant
- 31 or licensee may, not more than sixty-three (63) days after notice of
- 32 denial of the applicant's application or nonrenewal of the licensee's
- 33 license is mailed, make written demand to the commissioner for a
- 34 hearing before the commissioner to determine the reasonableness of the
- 35 commissioner's action. The hearing shall be held not more than thirty
- 36 (30) days after the applicant or licensee makes the written demand, and
- 37 shall be conducted under IC 4-21.5.
- 38 (e) The license of a business entity may be suspended, revoked, or
- 39 refused if the commissioner finds, after hearing, that a violation of an
- 40 individual licensee acting on behalf of the partnership or corporation
- 41 was known or should have been known by one (1) or more of the
- 42 partners, officers, or managers of the partnership or corporation and:

COPY



1 (1) the violation was not reported to the commissioner; and
 2 (2) no corrective action was taken.

3 (f) In addition to or in lieu of any applicable denial, suspension, or
 4 revocation of a license under subsection (b), a person may, after a
 5 hearing, be subject to the imposition by the commissioner under
 6 subsection (b) of a civil penalty of not less than fifty dollars (\$50) and
 7 not more than ten thousand dollars (\$10,000). A penalty imposed under
 8 this subsection may be enforced in the same manner as a civil
 9 judgement.

10 (g) A licensed insurance producer or limited lines producer shall,
 11 not more than ten (10) days after the producer receives a request in a
 12 registered or certified letter from the commissioner, furnish the
 13 commissioner with a full and complete report listing each insurer with
 14 which the licensee has held an appointment during the year preceding
 15 the request.

16 (h) If a licensee fails to provide the report requested under
 17 subsection (g) not more than ten (10) days after the licensee receives
 18 the request, the commissioner may, in the commissioner's sole
 19 discretion, without a hearing, and in addition to any other sanctions
 20 allowed by law, suspend any insurance license held by the licensee
 21 pending receipt of the appointment report.

22 (i) The commissioner shall promptly notify all appointing insurers
 23 and the licensee regarding any suspension, revocation, or termination
 24 of a license by the commissioner under this section.

25 (j) The commissioner may not grant, renew, continue, or permit to
 26 continue any license if the commissioner finds that the license is being
 27 used or will be used by the applicant or licensee for the purpose of
 28 writing controlled business. As used in this subsection, "controlled
 29 business" means:

30 (1) insurance written on the interests of:
 31 (A) the applicant or licensee;
 32 (B) the applicant's or licensee's immediate family; or
 33 (C) the applicant's or licensee's employer; or

34 (2) insurance covering:
 35 (A) the applicant or licensee;
 36 (B) members of the applicant's or licensee's immediate family;
 37 or
 38 (C) either:
 39 (i) a corporation, limited liability company, association, or
 40 partnership; or
 41 (ii) the officers, directors, substantial stockholders, partners,
 42 members, managers, employees of such a corporation,

C
O
P
Y



1 limited liability company, association, or partnership;
 2 of which the applicant or licensee or a member of the
 3 applicant's or licensee's immediate family is an officer,
 4 director, substantial stockholder, partner, member, manager,
 5 associate, or employee.

6 However, this section does not apply to insurance written or interests
 7 insured in connection with or arising out of credit transactions. A
 8 license is considered to have been used or intended to be used for the
 9 purpose of writing controlled business if the commissioner finds that
 10 during any twelve (12) month period the aggregate commissions earned
 11 from the controlled business exceeded twenty-five percent (25%) of the
 12 aggregate commission earned on all business written by the applicant
 13 or licensee during the same period.

14 (k) The commissioner has the authority to:

15 (1) enforce the provisions of; and

16 (2) impose any penalty or remedy authorized by;

17 this chapter or any other provision of this title against any person who
 18 is under investigation for or charged with a violation of this chapter or
 19 any other provision of this title, even if the person's license or
 20 registration has been surrendered or has lapsed by operation of law.

21 (l) For purposes of this section, the violation of any provision of
 22 IC 28 concerning the sale of a life insurance policy or an annuity
 23 contract shall be considered a violation described in subsection (b)(2).

24 (m) The commissioner may order a licensee to make restitution if
 25 the commissioner finds that the licensee has committed a violation
 26 described in:

27 (1) subsection (b)(4);

28 (2) subsection (b)(7);

29 (3) subsection (b)(8); or

30 (4) subsection (b)(16).

31 (n) The commissioner shall notify the securities commissioner
 32 appointed under IC 23-19-6-1(a) when an administrative action or civil
 33 proceeding is filed under this section and when an order is issued under
 34 this section denying, suspending, or revoking a license.

35 SECTION 12. IC 27-1-15.6-19.5 IS ADDED TO THE INDIANA
 36 CODE AS A NEW SECTION TO READ AS FOLLOWS
 37 [EFFECTIVE JULY 1, 2011]: **Sec. 19.5. (a) As used in this section,**
 38 **"variable life and annuity" means insurance that is used to fund**
 39 **insurance coverage provided under variable life insurance**
 40 **contracts and variable annuities.**

41 **(b) A person shall not sell, solicit, or negotiate variable life and**
 42 **annuity insurance unless the person meets the following**

C
O
P
Y



- 1 requirements:
- 2 (1) The person is licensed as either of the following:
- 3 (A) An insurance producer with a life qualification under
- 4 section 7(a)(1) of this chapter.
- 5 (B) An insurance producer with an accident and health or
- 6 sickness qualification under section 7(a)(2) of this chapter.
- 7 (2) The person has adequate knowledge of an annuity product
- 8 to recommend the annuity product.
- 9 (3) The person complies with the insurer's training standards
- 10 for variable life and annuity products.
- 11 (4) The person:
- 12 (A) is registered with the FINRA; and
- 13 (B) meets the broker-dealer registration requirements of:
- 14 (i) FINRA for a Series 6 limited representative license
- 15 and IC 23-19-4 for a Series 63 securities license; or
- 16 (ii) FINRA for a Series 7 general securities registered
- 17 representative license and IC 23-19-4 for a Series 63
- 18 securities license.
- 19 (c) A person may be licensed as an insurance producer with a
- 20 variable life and variable annuity products qualification if the
- 21 person is:
- 22 (1) licensed under section 7 of this chapter; and
- 23 (2) granted a change in status under subsection (d).
- 24 (d) If, after a person is licensed under this chapter as an
- 25 insurance producer with a life qualification, the person wants to
- 26 solicit the sale of an annuity product, the person shall:
- 27 (1) request that the commissioner change the person's status
- 28 as an insurance producer with a life qualification to status as
- 29 an insurance producer with a variable life and variable
- 30 annuity products qualification under section 7(a)(5) of this
- 31 chapter; and
- 32 (2) show proof of having completed a single four (4) hour
- 33 annuity training course that is conducted through a
- 34 structured setting or self-study method and approved by the
- 35 department in accordance with the requirements for approval
- 36 that apply to continuing education courses under
- 37 IC 27-1-15.7.
- 38 SECTION 13. IC 27-1-15.7-2, AS AMENDED BY P.L.173-2007,
- 39 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 40 JULY 1, 2011]: Sec. 2. (a) Except as provided in subsection (b), to
- 41 renew a license issued under IC 27-1-15.6,
- 42 (†) a resident insurance producer must complete at least twenty

C
O
P
Y



1 ~~(20) twenty-four (24)~~ hours of credit in continuing education
2 courses. ~~and~~

3 ~~(2) a resident limited lines producer must complete at least five~~
4 ~~(5) hours of credit in continuing education courses.~~

5 An attorney in good standing who is admitted to the practice of law in
6 Indiana and holds a license issued under IC 27-1-15.6 may complete all
7 or any number of hours of continuing education required by this
8 subsection by completing an equivalent number of hours in continuing
9 legal education courses that are related to the business of insurance.

10 **(b) Except as provided in subsection (c),** to renew a license issued
11 under IC 27-1-15.6, a limited lines producer with a title qualification
12 under IC 27-1-15.6-7(a)(8) must complete at least seven (7) hours of
13 credit in continuing education courses related to the business of title
14 insurance with at least one (1) hour of instruction in a structured setting
15 or comparable self-study in each of the following:

16 (1) Ethical practices in the marketing and selling of title
17 insurance.

18 (2) Title insurance underwriting.

19 (3) Escrow issues.

20 (4) Principles of the federal Real Estate Settlement Procedures
21 Act (12 U.S.C. 2608).

22 An attorney in good standing who is admitted to the practice of law in
23 Indiana and holds a license issued under IC 27-1-15.6 with a title
24 qualification under IC 27-1-15.6-7(a)(8) may complete all or any
25 number of hours of continuing education required by this subsection by
26 completing an equivalent number of hours in continuing legal
27 education courses related to the business of title insurance or any
28 aspect of real property law.

29 **(c)** The following insurance producers are not required to complete
30 continuing education courses to renew a license under this chapter:

31 (1) A limited lines producer who is licensed without examination
32 under IC 27-1-15.6-18(1) or IC 27-1-15.6-18(2).

33 (2) A limited line credit insurance producer.

34 ~~(3) An insurance producer who is at least seventy (70) years of~~
35 ~~age and has been a licensed insurance producer continuously for~~
36 ~~at least twenty (20) years immediately preceding the license~~
37 ~~renewal date.~~

38 **(3) A nonresident limited lines producer with a title**
39 **qualification:**

40 **(A) whose home state requires continuing education for a**
41 **title qualification; and**

42 **(B) who has met the continuing education requirements**

C
O
P
Y



1 **described in clause (A).**

2 (d) To satisfy the requirements of subsection (a) or (b), a licensee
3 may use only those credit hours earned in continuing education courses
4 completed by the licensee:

5 (1) after the effective date of the licensee's last renewal of a
6 license under this chapter; or

7 (2) if the licensee is renewing a license for the first time, after the
8 date on which the licensee was issued the license under this
9 chapter.

10 (e) If an insurance producer receives qualification for a license in
11 more than one (1) line of authority under IC 27-1-15.6, the insurance
12 producer may not be required to complete a total of more than ~~twenty~~
13 **twenty-four (24)** hours of credit in continuing education courses
14 to renew the license.

15 (f) Except as provided in subsection (g), a licensee may receive
16 credit only for completing continuing education courses that have been
17 approved by the commissioner under section 4 of this chapter.

18 (g) A licensee who teaches a course approved by the commissioner
19 under section 4 of this chapter shall receive continuing education credit
20 for teaching the course.

21 (h) When a licensee renews a license issued under this chapter, the
22 licensee must submit:

23 (1) a continuing education statement that:

24 (A) is in a format authorized by the commissioner;

25 (B) is signed by the licensee under oath; and

26 (C) lists the continuing education courses completed by the
27 licensee to satisfy the continuing education requirements of
28 this section; and

29 (2) any other information required by the commissioner.

30 (i) A continuing education statement submitted under subsection (h)
31 may be reviewed and audited by the department.

32 (j) A licensee shall retain a copy of the original certificate of
33 completion received by the licensee for completion of a continuing
34 education course.

35 (k) A licensee who completes a continuing education course that:

36 (1) is approved by the commissioner under section 4 of this
37 chapter;

38 (2) is held in a classroom setting; and

39 (3) concerns ethics;

40 shall receive continuing education credit for the number of hours for
41 which the course is approved plus additional hours, not to exceed two
42 (2) hours in a renewal period, equal to the number of hours for which

C
O
P
Y



1 the course is approved.

2 SECTION 14. IC 27-1-15.7-5 IS AMENDED TO READ AS
3 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 5. (a) To qualify as a
4 certified prelicensing course of study for purposes of IC 27-1-15.6-6,
5 an insurance producer program of study must meet all of the following
6 criteria:

- 7 (1) Be conducted or developed by an:
- 8 (A) insurance trade association;
- 9 (B) accredited college or university;
- 10 (C) educational organization certified by the insurance
11 producer education and continuing education advisory council;
12 or
- 13 (D) insurance company licensed to do business in Indiana.
- 14 (2) Provide for self-study or instruction provided by an approved
15 instructor in a structured setting, as follows:
- 16 (A) For life insurance producers, not less than ~~twenty-four (24)~~
17 **twenty (20)** hours of instruction in a structured setting or
18 comparable self-study on:
- 19 (i) ethical practices in the marketing and selling of
20 insurance;
- 21 (ii) requirements of the insurance laws and administrative
22 rules of Indiana; and
- 23 (iii) principles of life insurance.
- 24 (B) For health insurance producers, not less than ~~twenty-four~~
25 **(24) twenty (20)** hours of instruction in a structured setting or
26 comparable self-study on:
- 27 (i) ethical practices in the marketing and selling of
28 insurance;
- 29 (ii) requirements of the insurance laws and administrative
30 rules of Indiana; and
- 31 (iii) principles of health insurance.
- 32 (C) For life and health insurance producers, not less than forty
33 (40) hours of instruction in a structured setting or comparable
34 self-study on:
- 35 (i) ethical practices in the marketing and selling of
36 insurance;
- 37 (ii) requirements of the insurance laws and administrative
38 rules of Indiana;
- 39 (iii) principles of life insurance; and
- 40 (iv) principles of health insurance.
- 41 (D) For property and casualty insurance producers, not less
42 than forty (40) hours of instruction in a structured setting or

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

comparable self-study on:

- (i) ethical practices in the marketing and selling of insurance;
- (ii) requirements of the insurance laws and administrative rules of Indiana;
- (iii) principles of property insurance; and
- (iv) principles of liability insurance.

(E) For personal lines producers, a minimum of ~~twenty-four~~ **twenty (20)** hours of instruction in a structured setting or comparable self-study on:

- (i) ethical practices in the marketing and selling of insurance;
- (ii) requirements of the insurance laws and administrative rules of Indiana; and
- (iii) principles of property and liability insurance applicable to coverages sold to individuals and families for primarily noncommercial purposes.

(F) For title insurance producers, not less than ten (10) hours of instruction in a structured setting or comparable self-study on:

- (i) ethical practices in the marketing and selling of title insurance;
- (ii) requirements of the insurance laws and administrative rules of Indiana;
- (iii) principles of title insurance, including underwriting and escrow issues; and
- (iv) principles of the federal Real Estate Settlement Procedures Act (12 U.S.C. 2608).

(G) For variable life and variable annuity product producers, not less than four (4) hours of instruction in a structured setting or comparable self-study on:

- (i) types and classifications of annuities;**
- (ii) identification of the parties to an annuity;**
- (iii) the manner in which fixed, variable, and indexed annuity contract provisions affect consumers;**
- (iv) income taxation of qualified and non-qualified annuities;**
- (v) primary uses of annuities; and**
- (vi) appropriate sales practices, replacement, and disclosure requirements.**

(3) Instruction provided in a structured setting must be provided only by individuals who meet the qualifications established by the

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

commissioner under subsection (b).

(b) The commissioner, after consulting with the insurance producer education and continuing education advisory council, shall adopt rules under IC 4-22-2 prescribing the criteria that a person must meet to render instruction in a certified prelicensing course of study.

(c) The commissioner shall adopt rules under IC 4-22-2 prescribing the subject matter that an insurance producer program of study must cover to qualify for certification as a certified prelicensing course of study under this section.

(d) The commissioner may make recommendations that the commissioner considers necessary for improvements in course materials.

(e) The commissioner shall designate a program of study that meets the requirements of this section as a certified prelicensing course of study for purposes of IC 27-1-15.6-6.

(f) The commissioner may, after notice and opportunity for a hearing, withdraw the certification of a course of study that does not maintain reasonable standards, as determined by the commissioner for the protection of the public.

(g) Current course materials for a prelicensing course of study that is certified under this section must be submitted to the commissioner upon request, but not less frequently than once every three (3) years.

SECTION 15. IC 27-1-18-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 4. (a) Any foreign or alien corporation admitted to do business in this state may alter or enlarge the character of the business which it is authorized to transact in this state under its articles of incorporation or association, and any amendments thereof filed with the department as provided in section 3 of this chapter, by procuring an amended certificate of authority from the department in the manner provided in subsection (b).

(b) Whenever a foreign or alien corporation desires to procure such amended certificate, it shall present to the department at its office, accompanied by the fees prescribed by law, an application for an amended certificate of authority, setting forth the change desired in the kind or kinds of insurance business under its articles of incorporation or association which it intends to thereafter carry on in this state; the application shall be filed ~~in duplicate~~ in the form prescribed by the department by the president or a vice president and the secretary or an assistant secretary of the corporation, and verified by the oaths of the officers signing the same.

(c) Upon the presentation of such application, accompanied by the corporation's certificate of authority, the department, if it ~~find~~ **finds** that

C
o
p
y



1 it conforms to law and that the foreign or alien company has fulfilled
 2 the requirements set forth in subsection (b) and in section 3 of this
 3 chapter, may endorse its approval upon ~~each of the duplicate copies of~~
 4 the application, and, in case of the approval of such application and
 5 when all fees required by law shall have been paid, shall file one (1)
 6 copy of the application in its office, cancel the certificate of authority
 7 presented with the application, and issue to the corporation a new
 8 certificate of authority, which certificate shall set forth the kind or
 9 kinds of business that the corporation is authorized thereafter to
 10 transact in this state, which shall be accompanied by one (1) copy of
 11 the application bearing the endorsement of the approval of the
 12 department.

13 (d) Upon the issuance of the new certificate of authority by the
 14 department, the corporation therein named shall have authority
 15 thereafter to transact in this state the kind or kinds of insurance
 16 business set forth in such certificate, subject to the terms and
 17 conditions prescribed in this article.

18 SECTION 16. IC 27-1-20-8 IS AMENDED TO READ AS
 19 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 8. (a) ~~As used in The~~
 20 ~~definitions set forth in this subsection apply throughout~~ this section:

21 "Securities" means instruments as defined in ~~IC 26-1-8.1-102~~.

- 22 (1) "Broker dealer" means an entity that:
 23 (A) is registered with and subject to the jurisdiction of the
 24 Securities and Exchange Commission;
 25 (B) maintains membership in the Securities Investor
 26 Protection Corporation; and
 27 (C) has a tangible net worth of at least two hundred fifty
 28 million dollars (\$250,000,000).

29 (2) "Clearing corporation" means a corporation as defined in
 30 IC 26-1-8.1-102 except that with respect to securities issued by
 31 institutions organized or existing under the laws of any foreign
 32 country or securities used to meet the deposit requirements
 33 pursuant to the laws of a foreign country as a condition of doing
 34 business therein. "Clearing corporation" may include a
 35 corporation organized or existing under the laws of any foreign
 36 country and which is legally qualified under such laws to effect
 37 transactions in securities by computerized book entry.

38 (3) "Direct participant" means a bank, trust company, or safety
 39 deposit company approved by the commissioner which maintains
 40 an account in its name in a clearing corporation and through
 41 which an insurance company participates in a clearing
 42 corporation.

C
o
p
y



1 (4) "Federal Reserve book-entry system" means the computerized
2 systems sponsored by the United States Department of the
3 Treasury and certain agencies and instrumentalities of the United
4 States for holding and transferring securities of the United States
5 government and such agencies and instrumentalities, respectively,
6 in Federal Reserve Banks through banks which are members of
7 the Federal Reserve System, or which otherwise have access to
8 such computerized systems.

9 (5) "Member bank" means a national bank, state bank, or trust
10 company which is a member of the Federal Reserve System and
11 through which an insurance company participates in the Federal
12 Reserve book-entry system.

13 (6) "Securities" means instruments meeting the definition set
14 forth in IC 26-1-8.1-102.

15 (b) Notwithstanding any other provision of law, a domestic
16 insurance company may deposit or arrange for the safekeeping of
17 securities held in or purchased for its general account and its separate
18 accounts in a clearing corporation or the Federal Reserve book-entry
19 system. When securities are deposited with a clearing corporation,
20 certificates representing securities of the same class of the same issuer
21 may be merged and held in bulk in the name of the nominee of such
22 clearing corporation with any other securities deposited with such
23 clearing corporation by any person, regardless of the ownership of such
24 securities, and certificates representing securities of small
25 denominations may be merged into one (1) or more certificates of
26 larger denominations. The records of any member bank **or broker**
27 **dealer** through which an insurance company holds securities in the
28 Federal Reserve book-entry system, and the records of any custodian
29 through which an insurance company holds securities in a clearing
30 corporation, shall at all times show that such securities are held for
31 such insurance company and for which accounts thereof. Ownership of,
32 and other interests in, such securities may be transferred by
33 bookkeeping entry on the books of such clearing corporation or in the
34 Federal Reserve book-entry system without, in either case, physical
35 delivery of certificates representing such securities.

36 (c) Any Indiana law requiring an insurance company operating
37 under the laws of Indiana to deposit assets with the department shall be
38 deemed complied with if such deposit is made pursuant to a written
39 agreement between the insurance company and any bank, trust
40 company or a safety deposit company and approved by the
41 commissioner which limits withdrawals to those sanctioned and
42 approved by the department. Deposits so made shall be credited by the

C
o
p
y



1 department as deposits in its possession on the basis of the insurance
2 company's affidavit describing such deposits as to amount and nature.

3 (d) Notwithstanding any other provisions of law, securities eligible
4 for deposit under the insurance law of this state relating to deposit of
5 securities by an insurance company as a condition of commencing or
6 continuing to do an insurance business in this state may be deposited
7 with a clearing corporation or held in the Federal Reserve book-entry
8 system. Securities deposited with a clearing corporation or held in the
9 Federal Reserve book-entry system and used to meet the deposit
10 requirements under the insurance laws of this state shall be under the
11 control of the commissioner and shall not be withdrawn by the
12 insurance company without the approval of the commissioner. Any
13 insurance company holding such securities in such manner shall
14 provide to the commissioner evidence issued by its custodian or a
15 member bank through which such insurance company has deposited
16 securities with a clearing corporation or held in the Federal Reserve
17 book-entry system, respectively, in order to establish that the securities
18 are actually recorded in an account in the name of the custodian or
19 other direct participant or member bank and evidence that the records
20 of the custodian, other participant, or member bank reflect that such
21 securities are held subject to the order of the commissioner.

22 (e) The commissioner of insurance is authorized to promulgate rules
23 and regulations governing the deposit by insurance companies of
24 securities with clearing corporations and in the Federal Reserve
25 book-entry system.

26 SECTION 17. IC 27-1-23-4 IS AMENDED TO READ AS
27 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 4. (a) Material
28 transactions within an insurance holding company system to which an
29 insurer subject to registration is a party shall be subject to the following
30 standards:

- 31 (1) The terms shall be fair and reasonable.
- 32 (2) The charges or fees for services performed shall be
33 reasonable.
- 34 (3) The expenses incurred for any payment received shall be
35 allocated to the insurer in conformity with customary insurance
36 accounting practices consistently applied.
- 37 (4) The books, accounts, and records of each party as to all
38 transactions described in this subsection shall be so maintained as
39 to clearly and accurately disclose the precise nature and details of
40 the transactions, including accounting information necessary to
41 support the reasonableness of the charges or fees to the respective
42 parties.

**C
O
P
Y**



1 (5) The insurer's surplus as regards policyholders following any
 2 transactions with affiliates or shareholder dividend shall be
 3 reasonable in relation to the insurer's outstanding liabilities and
 4 adequate to its financial needs.

5 (b) The following transactions involving a domestic insurer and any
 6 person in its insurance holding company system may not be entered
 7 into unless the insurer has notified the commissioner in writing of its
 8 intention to enter into such transaction at least thirty (30) days prior
 9 thereto, or such shorter period as the commissioner may permit, and the
 10 commissioner has not disapproved it within that period:

11 (1) Sales, purchases, exchanges, loans or extensions of credit,
 12 guarantees, or investments, provided those transactions are equal
 13 to or exceed:

14 (A) with respect to nonlife insurers, the lesser of three percent
 15 (3%) of the insurer's admitted assets or twenty-five percent
 16 (25%) of surplus as regards policyholders; and
 17 (B) with respect to life insurers, three percent (3%) of the
 18 insurer's admitted assets;
 19 each as of December 31 next preceding.

20 (2) Loans or extensions of credit to any person who is not an
 21 affiliate, where the insurer makes those loans or extensions of
 22 credit with the agreement or understanding that the proceeds of
 23 such transactions, in whole or in substantial part, are to be used
 24 to make loans or extensions of credit to, to purchase assets of, or
 25 to make investments in, any affiliate of the insurer making such
 26 loans or extensions of credit, provided those transactions are
 27 equal to or exceed:

28 (A) with respect to nonlife insurers, the lesser of three percent
 29 (3%) of the insurer's admitted assets or twenty-five percent
 30 (25%) of surplus as regards policyholders; and
 31 (B) with respect to life insurers, three percent (3%) of the
 32 insurer's admitted assets;
 33 each as of December 31 next preceding.

34 (3) Reinsurance agreements or modifications thereto in which the
 35 amount of cash or invested assets transferred by the insurer equals
 36 or exceeds five percent (5%) of the insurer's surplus as regards
 37 policyholders, as of December 31 next preceding, including those
 38 agreements that may require as consideration the transfer of assets
 39 from an insurer to a nonaffiliate, if an agreement or understanding
 40 exists between the insurer and nonaffiliate that any portion of the
 41 assets will be transferred to one (1) or more affiliates of the
 42 insurer.

C
O
P
Y



1 (4) Management agreements, service contracts, ~~and~~ cost-sharing
2 arrangements, **lease agreements, and tax allocation**
3 **agreements.**
4 (5) Material transactions, specified by rule, that the commissioner
5 determines may adversely affect the interests of the insurer's
6 policyholders.

7 This subsection does not authorize or permit any transactions that, in
8 the case of an insurer not a member of the same insurance holding
9 company system, would be otherwise contrary to law.

10 (c) A domestic insurer may not enter into transactions that are part
11 of a plan or series of like transactions with persons within the insurance
12 holding company system if the purpose of those separate transactions
13 is to avoid the statutory threshold amount and thus avoid the review
14 that would occur otherwise.

15 (d) The commissioner, in reviewing transactions pursuant to
16 subsection (b), shall consider whether the transactions comply with the
17 standards set forth in subsection (a) and whether the transactions may
18 adversely affect the interests of policyholders.

19 (e) The commissioner shall be notified within thirty (30) days of any
20 investment of the domestic insurer in any one (1) corporation if the
21 total investment in that corporation by the insurance holding company
22 system exceeds ten percent (10%) of the corporation's voting securities.

23 (f) For purposes of this chapter, in determining whether an insurer's
24 surplus is reasonable in relation to the insurer's outstanding liabilities
25 and adequate to its financial needs, the following factors, among others,
26 shall be considered:

27 (1) The size of the insurer as measured by its assets, capital and
28 surplus, reserves, premium writings, insurance in force and other
29 appropriate criteria.

30 (2) The extent to which the insurer's business is diversified among
31 the several lines of insurance.

32 (3) The number and size of risks insured in each line of business.

33 (4) The extent of the geographical dispersion of the insurer's
34 insured risks.

35 (5) The nature and extent of the insurer's reinsurance program.

36 (6) The quality, diversification, and liquidity of the insurer's
37 investment portfolio.

38 (7) The recent past and projected future trend in the size of the
39 insurer's surplus as regards policyholders.

40 (8) The surplus as regards policyholders maintained by other
41 comparable insurers in respect of the factors described in
42 subdivisions (1) through (7).

C
O
P
Y



1 (9) The adequacy of the insurer's reserves.
 2 (10) The quality and liquidity of investments in subsidiaries,
 3 except that the commissioner may discount or treat any such
 4 investment in subsidiaries as a disallowed asset for purposes of
 5 determining the adequacy of surplus whenever in his judgment
 6 such investment so warrants.
 7 (11) The quality of the earnings of the insurer and the extent to
 8 which the reported earnings of the insurer include extraordinary
 9 items.
 10 (g) No domestic insurer subject to registration under section 3 of
 11 this chapter shall pay an extraordinary dividend or make any other
 12 extraordinary distribution to its security holders until:
 13 (1) thirty (30) days after the commissioner has received notice of
 14 the declaration thereof and has not within such period
 15 disapproved such payment; or
 16 (2) the commissioner shall have approved such payment within
 17 such thirty (30) day period.
 18 (h) For purposes of subsection (g), an extraordinary dividend or
 19 distribution is any dividend or distribution of cash or other property
 20 whose fair market value, together with that of other dividends or
 21 distributions made within the twelve (12) consecutive months ending
 22 on the date on which the proposed dividend or distribution is scheduled
 23 to be made, exceeds the greater of:
 24 (1) ten percent (10%) of such insurer's surplus as regards
 25 policyholders as of the most recently preceding December 31; or
 26 (2) the net gain from operations of such insurer, if such insurer is
 27 a life insurer, or the net income, if such insurer is not a life
 28 insurer, for the twelve (12) month period ending on the most
 29 recently preceding December 31.
 30 (i) Notwithstanding any other provision of law, a domestic insurer
 31 may declare an extraordinary dividend or distribution which is
 32 conditional upon the commissioner's approval thereof, but such a
 33 declaration shall confer no rights upon shareholders until:
 34 (1) the commissioner has approved the payment of such dividend
 35 or distribution; or
 36 (2) the commissioner has not disapproved the payment within the
 37 thirty (30) day period referred to in subsection (g).
 38 SECTION 18. IC 27-1-25-1 IS AMENDED TO READ AS
 39 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 1. As used in this
 40 chapter:
 41 (a) "Administrator" ~~except as provided in section 7.5 of this chapter,~~
 42 means a person who directly or indirectly and on behalf of an insurer

C
o
p
y



1 underwrites, collects charges or premiums from, or adjusts or settles
 2 claims on residents of Indiana in connection with life, annuity, or
 3 health coverage offered or provided by an insurer. The term
 4 "administrator" does not include the following persons:

5 (1) An employer or a wholly owned direct or indirect subsidiary
 6 of an employer acting on behalf of the employees of:

7 (A) the employer;

8 (B) the subsidiary; or

9 (C) an affiliated corporation of the employer.

10 (2) A union acting for its members.

11 (3) An insurer.

12 (4) An insurance producer:

13 (A) that is licensed under IC 27-1-15.6;

14 (B) that has:

15 (i) a life; or

16 (ii) an accident and health or sickness;
 17 qualification under IC 27-1-15.6-7; and

18 (C) whose activities are limited exclusively to the sale of
 19 insurance.

20 (5) A creditor acting for its debtors regarding insurance covering
 21 a debt between them.

22 (6) A trust established under 29 U.S.C. 186 and the trustees,
 23 agents, and employees acting pursuant to that trust.

24 (7) A trust that is exempt from taxation under Section 501(a) of
 25 the Internal Revenue Code and:

26 (A) the trustees and employees acting pursuant to that trust; or

27 (B) a custodian and the agents and employees of the custodian
 28 acting pursuant to a custodian account that meets the
 29 requirements of Section 401(f) of the Internal Revenue Code.

30 (8) A financial institution that is subject to supervision or
 31 examination by federal or state banking authorities to the extent
 32 that the financial institution collects and remits premiums to an
 33 insurance producer or an authorized insurer in connection with a
 34 loan payment.

35 (9) A credit card issuing company that:

36 (A) advances for; and

37 (B) collects from, when a credit card holder authorizes the
 38 collection;

39 credit card holders of the credit card issuing company, insurance
 40 premiums or charges.

41 (10) A person that adjusts or settles claims in the normal course
 42 of the person's practice or employment as an attorney at law and

C
O
P
Y



1 that does not collect charges or premiums in connection with life,
 2 annuity, or health coverage.
 3 (11) A health maintenance organization that has a certificate of
 4 authority issued under IC 27-13.
 5 (12) A limited service health maintenance organization that has
 6 a certificate of authority issued under IC 27-13.
 7 (13) A mortgage lender to the extent that the mortgage lender
 8 collects and remits premiums to an insurance producer or an
 9 authorized insurer in connection with a loan payment.
 10 (14) A person that:
 11 (A) is licensed as a managing general agent as required under
 12 IC 27-1-33; and
 13 (B) acts exclusively within the scope of activities provided for
 14 under the license referred to in clause (A).
 15 (15) A person that:
 16 (A) directly or indirectly underwrites, collects charges or
 17 premiums from, or adjusts or settles claims on residents of
 18 Indiana in connection with life, annuity, or health coverage
 19 provided by an insurer;
 20 (B) is affiliated with the insurer; and
 21 (C) performs the duties specified in clause (A) only according
 22 to a contract between the person and the insurer for the direct
 23 and assumed life, annuity, or health coverage provided by the
 24 insurer.
 25 (b) "Affiliate" means an entity or a person that:
 26 (1) directly or indirectly through an intermediary controls or is
 27 controlled by; or
 28 (2) is under common control with;
 29 a specified entity or person.
 30 (c) "Church plan" has the meaning set forth in IC 27-8-10-1.
 31 (d) "Commissioner" refers to the insurance commissioner appointed of
 32 under IC 27-1-1-2.
 33 (e) "Control" means the direct or indirect possession of the power
 34 to direct or cause the direction of the management and policies of a
 35 person, whether:
 36 (1) through ownership of voting securities;
 37 (2) by contract other than a commercial contract for goods or
 38 nonmanagement services; or
 39 (3) otherwise;
 40 unless the power is the result of an official position with the person or
 41 a corporate office held by the person. Control is presumed to exist if a
 42 person directly or indirectly owns, controls, holds with the power to

COPY



1 vote, or holds proxies representing not less than ten percent (10%) of
2 the voting securities of another person.

3 (f) "Covered individual" means an individual who is covered under
4 a benefit program provided by an insurer.

5 (g) "Financial institution" means a bank, savings association, credit
6 union, or any other institution regulated under IC 28 or federal law.

7 (h) "GAAP" refers to consistently applied United States generally
8 accepted accounting principles.

9 (i) "Governmental plan" has the meaning set forth in IC 27-8-10-1.

10 (j) "Home state" means the District of Columbia or any state or
11 territory of the United States in which an administrator is incorporated
12 or maintains the administrator's principal place of business. If the place
13 in which the administrator is incorporated or maintains the
14 administrator's principal place of business is not governed by a law that
15 is substantially similar to this chapter, the administrator's home state is
16 another state:

17 (1) in which the administrator conducts the business of the
18 administrator; and

19 (2) that the administrator declares is the administrator's home
20 state.

21 (k) "Insurance producer" has the meaning set forth in
22 IC 27-1-15.6-2.

23 (l) "Insurer" means:

24 (1) a person who obtains a certificate of authority under:

25 (A) IC 27-1-3-20;

26 (B) IC 27-13-3; or

27 (C) IC 27-13-34; or

28 (2) an employer that provides life, health, or annuity coverage in
29 Indiana under a governmental plan or a church plan.

30 (m) "NAIC" refers to the National Association of Insurance
31 Commissioners.

32 (n) "Negotiate" has the meaning set forth in IC 27-1-15.6-2.

33 (o) "Nonresident administrator" means a person that applies for or
34 holds a license under section 12.2 of this chapter.

35 (p) "Person" has the meaning set forth in IC 27-1-15.6-2.

36 (q) "Sell" has the meaning set forth in IC 27-1-15.6-2.

37 (r) "Solicit" has the meaning set forth in IC 27-1-15.6-2.

38 (s) "Underwrite" refers to the:

39 (1) acceptance of a group application or an individual application
40 for coverage of an individual in accordance with the written rules
41 of the insurer; or

42 (2) planning and coordination of a benefit program provided by

C
O
P
Y



1 an insurer.

2 (t) "Uniform application" means the current version of the NAIC
 3 uniform application for third party administrators.

4 SECTION 19. IC 27-1-25-11.1 IS AMENDED TO READ AS
 5 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 11.1. (a) If the home
 6 state of a person is Indiana, the person shall:

7 (1) apply to act as an administrator in Indiana upon the uniform
 8 application; ~~and~~

9 **(2) pay an application fee in an amount determined by the**
 10 **commissioner; and**

11 ~~(2)~~ **(3) receive a license from the commissioner;**
 12 before performing the function of an administrator in Indiana. **The**
 13 **commissioner shall deposit a fee paid under subdivision (2) into the**
 14 **department of insurance fund established by IC 27-1-3-28.**

15 (b) The uniform application must include or be accompanied by the
 16 following:

17 (1) Basic organizational documents of the applicant, including:
 18 (A) articles of incorporation;
 19 (B) articles of association;
 20 (C) partnership agreement;
 21 (D) trade name certificate;
 22 (E) trust agreement;
 23 (F) shareholder agreement;
 24 (G) other applicable documents; and
 25 (H) amendments to the documents specified in clauses (A)
 26 through (G).

27 (2) Bylaws, rules, regulations, or other documents that regulate
 28 the internal affairs of the applicant.

29 (3) The NAIC biographical affidavits for individuals who are
 30 responsible for the conduct of affairs of the applicant, including:
 31 (A) members of the applicant's:
 32 (i) board of directors;
 33 (ii) board of trustees;
 34 (iii) executive committee; or
 35 (iv) other governing board or committee;
 36 (B) principal officers, if the applicant is a corporation;
 37 (C) partners or members, if the applicant is:
 38 (i) a partnership;
 39 (ii) an association; or
 40 (iii) a limited liability company;
 41 (D) shareholders or members that hold, directly or indirectly,
 42 at least ten percent (10%) of the:

C
O
P
Y



- 1 (i) voting stock;
 2 (ii) voting securities; or
 3 (iii) voting interest;
 4 of the applicant; and
 5 (E) any other person who exercises control or influence over
 6 the affairs of the applicant.
- 7 (4) Financial information reflecting a positive net worth,
 8 including:
 9 (A) audited annual financial statements prepared by an
 10 independent certified public accountant for the two (2) most
 11 recent fiscal years; or
 12 (B) if the applicant has been in business for less than two (2)
 13 fiscal years, financial statements or reports that are:
 14 (i) prepared in accordance with GAAP; and
 15 (ii) certified by an officer of the applicant;
 16 for any completed fiscal years and for any month during the
 17 current fiscal year for which financial statements or reports
 18 have been completed.
- 19 If an audited financial statement or report required under clause
 20 (A) or (B) is prepared on a consolidated basis, the statement or
 21 report must include a columnar consolidating or combining
 22 worksheet that includes the amounts shown on the consolidated
 23 audited financial statement or report, separately reported on the
 24 worksheet for each entity included on the statement or report, and
 25 an explanation of consolidating and eliminating entries.
- 26 (5) Information determined by the commissioner to be necessary
 27 for a review of the current financial condition of the applicant.
- 28 (6) A description of the business plan of the applicant, including:
 29 (A) information on staffing levels and activities proposed in
 30 Indiana and nationwide; and
 31 (B) details concerning the applicant's ability to provide a
 32 sufficient number of experienced and qualified personnel for:
 33 (i) claims processing;
 34 (ii) record keeping; and
 35 (iii) underwriting.
- 36 (7) Any other information required by the commissioner.
- 37 (c) An administrator that applies for licensure under this section
 38 shall make copies of written agreements with insurers available for
 39 inspection by the commissioner.
- 40 (d) An administrator that applies for licensure under this section
 41 shall:
 42 (1) produce the administrator's accounts, records, and files for

C
O
P
Y



1 examination; and

2 (2) make the administrator's officers available to provide
3 information concerning the affairs of the administrator;
4 whenever reasonably required by the commissioner.

5 (e) The commissioner may refuse to issue a license under this
6 section if the commissioner determines that:

7 (1) the administrator or an individual who is responsible for the
8 conduct of the affairs of the administrator:

9 (A) is not:

10 (i) competent;

11 (ii) trustworthy;

12 (iii) financially responsible; or

13 (iv) of good personal and business reputation; or

14 (B) has had an:

15 (i) insurance certificate of authority or insurance license; or

16 (ii) administrator certificate of authority or administrator
17 license;

18 denied or revoked for cause by any jurisdiction;

19 (2) the financial information provided under subsection (b)(4)
20 does not reflect that the applicant has a positive net worth; or

21 (3) any of the grounds set forth in section 12.4 of this chapter
22 exists with respect to the administrator.

23 (f) An administrator that applies for a license under this section
24 shall immediately notify the commissioner of a material change in:

25 (1) the ownership or control of the administrator; or

26 (2) another fact or circumstance that affects the administrator's
27 qualification for a license.

28 The commissioner, upon receiving notice under this subsection, shall
29 report the change to an electronic data base maintained by the NAIC or
30 an affiliate or a subsidiary of the NAIC.

31 (g) An administrator that applies for a license under this section and
32 will administer a governmental plan or a church plan shall obtain a
33 bond as required under section 4(g) of this chapter.

34 (h) A license that is issued under this section is valid:

35 **(1) for one (1) year after the date of issuance, unless**
36 **subdivision (2) applies; or**

37 **(2) until:**

38 ~~(1)~~ (A) the license is:

39 ~~(A)~~ (i) surrendered; or

40 ~~(B)~~ (ii) suspended or revoked by the commissioner; or

41 ~~(2)~~ (B) the administrator:

42 ~~(A)~~ (i) ceases to do business in Indiana; or

C
O
P
Y



1 ~~(B)~~ (ii) is not in compliance with this chapter.
2 SECTION 20. IC 27-1-25-12.2, AS AMENDED BY P.L.234-2007,
3 SECTION 191, IS AMENDED TO READ AS FOLLOWS
4 [EFFECTIVE JULY 1, 2011]: Sec. 12.2. (a) An administrator that:
5 (1) performs the duties of an administrator in Indiana; and
6 (2) does not hold a license issued under section 11.1 of this
7 chapter;
8 shall obtain a nonresident administrator license under this section by
9 filing a uniform application, **accompanied by an application fee in an**
10 **amount determined by the commissioner**, with the commissioner.
11 **The commissioner shall deposit a fee paid under this subsection**
12 **into the department of insurance fund established by IC 27-1-3-28.**
13 (b) Unless the commissioner verifies the nonresident administrator's
14 home state license status through an electronic data base maintained by
15 the NAIC or by an affiliate or a subsidiary of the NAIC, a uniform
16 application filed under subsection (a) must be accompanied by a letter
17 of certification from the nonresident administrator's home state,
18 verifying that the nonresident administrator holds a resident
19 administrator license in the home state.
20 (c) A nonresident administrator is not eligible for a nonresident
21 administrator license under this section unless the nonresident
22 administrator is licensed as a resident administrator in a home state that
23 has a law or regulation that is substantially similar to this chapter.
24 (d) Except as provided in subsections (b) and (h), the commissioner
25 shall issue a nonresident administrator license to a nonresident
26 administrator that makes a filing under subsections (a) and (b) upon
27 receipt of the filing.
28 (e) Unless a nonresident administrator is notified by the
29 commissioner that the commissioner is able to verify the nonresident
30 administrator's home state licensure through an electronic data base
31 described in subsection (b), the nonresident administrator shall:
32 (1) on September 15 of each year, file **a renewal application and**
33 a statement with the commissioner affirming that the nonresident
34 administrator maintains a current license in the nonresident
35 administrator's home state; and
36 (2) pay **to the commissioner** a filing fee **as required in an**
37 **amount determined** by the commissioner.
38 The commissioner shall ~~collect deposit~~ a filing fee **required paid** under
39 subdivision (2) ~~and deposit the fee~~ into the department of insurance
40 fund established by IC 27-1-3-28.
41 (f) A nonresident administrator that applies for licensure under this
42 section shall:

C
O
P
Y



- 1 (1) produce the accounts of the nonresident administrator;
- 2 (2) produce the records and files of the nonresident administrator
- 3 for examination; and
- 4 (3) make the officers of the nonresident administrator available to
- 5 provide information with respect to the affairs of the nonresident
- 6 administrator;

7 when reasonably required by the commissioner.

8 (g) A nonresident administrator is not required to hold a nonresident
 9 administrator license in Indiana if the nonresident administrator's
 10 function in Indiana is limited to the administration of life, health, or
 11 annuity coverage for a total of not more than one hundred (100) Indiana
 12 residents.

13 (h) The commissioner may refuse to issue or may delay the issuance
 14 of a nonresident administrator license if the commissioner determines
 15 that:

- 16 (1) due to events occurring; or
- 17 (2) based on information obtained;

18 after the nonresident administrator's home state's licensure of the
 19 nonresident administrator, the nonresident administrator is unable to
 20 comply with this chapter or grounds exist for the home state's
 21 revocation or suspension of the nonresident administrator's home state
 22 license.

23 (i) If the commissioner makes a determination described in
 24 subsection (h), the commissioner:

- 25 (1) shall provide written notice of the determination to the
- 26 insurance regulator of the nonresident administrator's home state;
- 27 and
- 28 (2) may delay the issuance of a nonresident administrator license
- 29 to the nonresident administrator until the commissioner
- 30 determines that the nonresident administrator is able to comply
- 31 with this chapter and that grounds do not exist for the home state's
- 32 revocation or suspension of the nonresident administrator's home
- 33 state license.

34 SECTION 21. IC 27-1-25-12.3, AS AMENDED BY P.L.234-2007,
 35 SECTION 192, IS AMENDED TO READ AS FOLLOWS
 36 [EFFECTIVE JULY 1, 2011]: Sec. 12.3. (a) An administrator that is
 37 licensed under section 11.1 of this chapter shall, not later than July 1
 38 of each year unless the commissioner grants an extension of time for
 39 good cause, file a report for the previous calendar year that complies
 40 with the following:

- 41 (1) The report must contain financial information reflecting a
- 42 positive net worth prepared in accordance with section 11.1(b)(4)

C
O
P
Y



- 1 of this chapter.
 2 (2) The report must be in the form and contain matters prescribed
 3 by the commissioner.
 4 (3) The report must be verified by at least two (2) officers of the
 5 administrator.
 6 (4) The report must include the complete names and addresses of
 7 insurers with which the administrator had a written agreement
 8 during the preceding fiscal year.
 9 (5) The report must be accompanied by a filing fee **in an amount**
 10 **determined by the commissioner.**

11 The commissioner shall collect a filing fee paid under subdivision (5)
 12 and deposit the fee into the department of insurance fund established
 13 by IC 27-1-3-28.

14 (b) The commissioner shall review a report filed under subsection
 15 (a) not later than September 1 of the year in which the report is filed.
 16 Upon completion of the review, the commissioner shall:

- 17 (1) issue a certification to the administrator:
 18 (A) indicating that:
 19 (i) the financial statement reflects a positive net worth; and
 20 (ii) the administrator is currently licensed and in good
 21 standing; or
 22 (B) noting deficiencies found in the report; or
 23 (2) update an electronic data base that is maintained by the NAIC
 24 or by an affiliate or a subsidiary of the NAIC:
 25 (A) indicating that the administrator is solvent and in
 26 compliance with this chapter; or
 27 (B) noting deficiencies found in the report.

28 SECTION 22. IC 27-1-28 IS ADDED TO THE INDIANA CODE
 29 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 30 JULY 1, 2011]:

31 **Chapter 28. Independent Adjuster Licensing**

32 **Sec. 1. This chapter governs the qualifications and procedure**
 33 **for the licensing of independent adjusters.**

34 **Sec. 2. The commissioner may adopt rules under IC 4-22-2 to**
 35 **implement this chapter.**

36 **Sec. 3. As used in this chapter, "automated claims adjudication**
 37 **system" means a preprogrammed computer system that:**

- 38 (1) is designed for the collection, data entry, calculation, and
 39 system generated final resolution of property insurance
 40 claims;
 41 (2) is used only by a licensee or a person described in section
 42 6(b)(2) or 6(b)(3) of this chapter;

C
O
P
Y



- 1 (3) complies with all claim payment requirements under
- 2 Indiana insurance law; and
- 3 (4) is certified as compliant with the claims adjudication
- 4 requirements of this chapter by an individual who is an:
- 5 (A) independent adjuster who is licensed under this
- 6 chapter; and
- 7 (B) officer of a business entity that is licensed under this
- 8 chapter.

9 Sec. 4. As used in this chapter, "catastrophe" means an event
 10 that is the subject of a declaration by the commissioner and that:

- 11 (1) results in a large number of deaths or injuries;
- 12 (2) causes extensive damage or destruction of facilities used to
- 13 provide and sustain human needs;
- 14 (3) produces an overwhelming demand on state and local
- 15 response resources and mechanisms;
- 16 (4) causes a severe long term effect on general economic
- 17 activity; or
- 18 (5) severely affects state, local, and private sector capabilities
- 19 to begin and sustain response activities.

20 Sec. 5. As used in this chapter, "home state" means:

21 (1) a state, district, or territory of the United States in which
 22 an independent adjuster:

23 (A) maintains the independent adjuster's principal place of
 24 residence or business; and

25 (B) is licensed to act as a resident independent adjuster; or

26 (2) if the principal place of residence described in subdivision
 27 (1) does not license independent adjusters for the line of
 28 authority in which the independent adjuster seeks licensing
 29 under this chapter, the state, district, or territory of the
 30 United States:

31 (A) that is designated by the independent adjuster as the
 32 independent adjuster's home state; and

33 (B) in which the independent adjuster is licensed and in
 34 good standing.

35 Sec. 6. (a) As used in this chapter, "independent adjuster"
 36 means a person, or an independent contractor or employee of a
 37 person, that:

38 (1) contracts for compensation with insurers or self-insurers
 39 to investigate, negotiate, or settle property, casualty, or
 40 worker's compensation claims; and

41 (2) for tax purposes is treated by the insurers or self-insurers
 42 in a manner consistent with treatment of an independent

C
O
P
Y



1 contractor rather than an employee under Title 26, Subtitle C
2 of the Internal Revenue Code.

3 (b) The term does not include the following:

4 (1) An attorney who:

5 (A) is admitted to practice in Indiana; and

6 (B) acts in a professional capacity as an attorney.

7 (2) A person employed solely to do any of the following:

8 (A) Obtain facts surrounding a claim.

9 (B) Furnish technical assistance to a licensed independent
10 adjuster.

11 (3) An individual:

12 (A) who is an employee of:

13 (i) an independent adjuster who is licensed under this
14 chapter; or

15 (ii) an affiliate of an independent adjuster who is licensed
16 under this chapter;

17 (B) who is supervised by:

18 (i) an independent adjuster licensed under this chapter;
19 or

20 (ii) an insurance producer licensed under IC 27-1-15.6;
21 who supervises not more than twenty-five (25) persons
22 described in this subdivision; and

23 (C) who is employed solely to:

24 (i) collect claim information from insureds or claimants;

25 (ii) furnish claim information to insureds or claimants;
26 or

27 (iii) perform data entry into an automated claims
28 adjudication system.

29 (4) An individual who is employed to investigate suspected
30 fraudulent insurance claims, but who does not adjust losses or
31 determine claim payments.

32 (5) A person that:

33 (A) performs only executive, administrative, managerial,
34 or clerical duties; and

35 (B) does not investigate, negotiate, or settle claims with
36 policyholders, claimants, or legal representatives of
37 policyholders or claimants.

38 (6) A person that settles only reinsurance or subrogation
39 claims.

40 (7) An officer, director, manager, or employee of an
41 authorized insurer, a managing general agent, a surplus lines
42 insurer, a risk retention group, or an attorney in fact of a

C
O
P
Y



- 1 reciprocal insurer.
- 2 (8) A manager of the United States branch of an alien insurer.
- 3 (9) A person that investigates, negotiates, or settles life,
- 4 accident and health, annuity, or disability insurance claims.
- 5 (10) Under a self-insured arrangement, an individual who
- 6 adjusts claims on behalf of the individual's employer.
- 7 (11) A licensed insurance producer, an attorney in fact of a
- 8 reciprocal insurer, or a managing general agent of an insurer
- 9 to whom claim authority has been granted by the insurer.
- 10 (12) A person that is authorized to adjust worker's
- 11 compensation or disability claims under the authority of a
- 12 third party administrator.
- 13 (13) A person that investigates, negotiates, or settles crop
- 14 insurance claims.
- 15 (14) An individual who:
- 16 (A) does not adjust losses or determine claim payments;
- 17 and
- 18 (B) is employed to use a specialized skill possessed by the
- 19 individual to make a determination:
- 20 (i) concerning an element of a claim; and
- 21 (ii) that is used by an independent adjuster, or an
- 22 adjuster who is directly employed by an insurer, in
- 23 adjusting a loss or determining a claim payment.
- 24 Sec. 7. As used in this chapter, "NAIC" refers to the National
- 25 Association of Insurance Commissioners.
- 26 Sec. 8. As used in this chapter, "uniform individual application"
- 27 means the NAIC uniform individual application for resident and
- 28 nonresident individuals.
- 29 Sec. 9. As used in this chapter, "uniform business entity
- 30 application" means the NAIC uniform business entity application
- 31 for resident and nonresident business entities.
- 32 Sec. 10. A person shall not:
- 33 (1) act as an independent adjuster in Indiana; or
- 34 (2) hold the person's self out as an independent adjuster in
- 35 Indiana;
- 36 unless the person is licensed or exempt from licensure under this
- 37 chapter.
- 38 Sec. 11. (a) If a catastrophe is declared, an insurer may contract
- 39 with an individual who:
- 40 (1) is not licensed under this chapter; but
- 41 (2) is otherwise qualified to adjust claims;
- 42 to act as a temporary emergency independent adjuster on behalf

COPY



1 of the insurer if the insurer obtains for the individual a temporary
2 emergency independent adjuster license under this section.

3 (b) An insurer described in subsection (a) must, not more than
4 five (5) days after the individual begins to adjust claims arising
5 from the declared catastrophe, submit to the commissioner an
6 application for temporary emergency licensure of the individual
7 under this section.

8 (c) An application submitted under subsection (b) must include
9 the following information in a format prescribed by the
10 commissioner:

- 11 (1) The name of the individual.
- 12 (2) The Social Security number of the individual.
- 13 (3) The name of the insurer.
- 14 (4) The effective date of the contract between the insurer and
15 the individual.
- 16 (5) The catastrophe or loss number.
- 17 (6) The catastrophe event name.
- 18 (7) Other information the commissioner considers necessary.

19 (d) The commissioner shall establish standards and procedures
20 for temporary emergency independent adjuster licensure under
21 this section.

22 (e) A temporary emergency independent adjuster license issued
23 under this section is effective for not more than ninety (90) days,
24 unless extended by the commissioner. In the event of multiple
25 catastrophes, an individual who holds a temporary emergency
26 independent adjuster license issued under this section with respect
27 to one (1) declared catastrophe may adjust claims arising from any
28 other catastrophe that occurs within the ninety (90) day period
29 during which the license is effective under this subsection without
30 the insurer applying for an additional temporary emergency
31 independent adjuster license.

32 (f) The rules adopted by the commissioner under section 2 of
33 this chapter may establish a fee for an application submitted under
34 this section.

35 **Sec. 12. (a) An individual may apply for a resident independent
36 adjuster license by submitting:**

- 37 (1) a uniform individual application to the commissioner with
38 a declaration, under penalty of suspension, revocation, or
39 refusal of licensure, that the statements made in the
40 application are true and complete to the best of the
41 individual's knowledge; and
- 42 (2) an application fee of forty dollars (\$40).

C
o
p
y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

(b) The commissioner shall approve an application submitted under subsection (a) upon finding all of the following:

- (1) The individual is at least eighteen (18) years of age.**
- (2) The individual is eligible to designate Indiana as the individual's home state.**
- (3) The individual is determined by the commissioner to be trustworthy, reliable, and of good reputation.**
- (4) The individual has not committed an act that is grounds for probation, suspension, revocation, or refusal of licensure under section 18 of this chapter.**
- (5) The individual has completed a preclicensing course of study for the line of authority in which the individual has applied for licensing under this section.**
- (6) The individual has successfully passed the written examination administered under section 15 of this chapter for the line of authority in which the individual has applied for licensing under this section.**

(c) The commissioner may require any documents reasonably necessary to verify the information contained in the application.

Sec. 13. (a) A business entity may apply for a resident independent adjuster license by submitting:

- (1) a uniform business entity application to the commissioner with a declaration, under penalty of suspension, revocation, or refusal of licensure, that the statements made in the application are true and complete to the best knowledge of the individual submitting the application on behalf of the business entity;**
- (2) an application fee of forty dollars (\$40); and**
- (3) the name, address, Social Security number, and criminal and administrative history of each of the following:**
 - (A) An owner that has at least ten percent (10%) interest or voting interest in the business entity.**
 - (B) A partner of the business entity.**
 - (C) An executive officer of the business entity.**
 - (D) A director of the business entity.**

(b) The commissioner shall approve an application submitted by a business entity under subsection (a) upon finding all of the following:

- (1) The business entity is eligible to designate Indiana as the business entity's home state.**
- (2) The business entity has designated an individual independent adjuster licensed under this chapter to be**

**C
O
P
Y**



1 responsible for the business entity's compliance with Indiana
 2 insurance law.
 3 (3) The business entity has not committed any act that is
 4 grounds for probation, suspension, revocation, or refusal of
 5 an independent adjuster license under section 18 of this
 6 chapter.
 7 (c) The commissioner may require a business entity applying
 8 under this section to produce any documents reasonably necessary
 9 to verify the information contained in the application.
 10 Sec. 14. (a) An independent adjuster may qualify for an
 11 independent adjuster license under this chapter in one (1) or more
 12 of the following lines of authority:
 13 (1) Property and casualty insurance.
 14 (2) Worker's compensation insurance.
 15 (b) An independent adjuster licensed under this chapter is not
 16 required to hold another independent adjuster, insurance
 17 producer, or insurance administrator license in Indiana.
 18 (c) An independent adjuster license:
 19 (1) is effective for two (2) years after the date of issuance
 20 unless probated, suspended, revoked, or refused; and
 21 (2) may be renewed if all requirements for renewal, including
 22 submission to the commissioner of a renewal fee of forty
 23 dollars (\$40), are met on or before the renewal date.
 24 (d) If an independent adjuster license expires, the independent
 25 adjuster may, within twelve (12) months after the date of
 26 expiration, be reissued an independent adjuster license upon
 27 receipt by the commissioner of:
 28 (1) a request for reissuance, as prescribed by the
 29 commissioner; and
 30 (2) a reissuance fee of eighty dollars (\$80).
 31 (e) An independent adjuster who is unable to comply with the
 32 license renewal requirements of this section due to:
 33 (1) military service;
 34 (2) long term medical disability; or
 35 (3) another extenuating circumstance determined by the
 36 commissioner;
 37 may request a waiver of the renewal requirements or applicable
 38 sanction.
 39 (f) A license issued under this chapter must contain the
 40 following:
 41 (1) The licensee's name, address, and personal identification
 42 number.

COPY



- 1 (2) The date of issuance.
- 2 (3) The date of expiration.
- 3 (4) Other information considered necessary by the
- 4 commissioner.
- 5 (g) An independent adjuster is subject to IC 27-4-1-4.5.
- 6 (h) An independent adjuster shall, not more than thirty (30)
- 7 days after the occurrence of a change of the independent
- 8 adjuster's:
- 9 (1) legal name; or
- 10 (2) home state address;
- 11 provide written notice to the commissioner of the change.
- 12 (i) The commissioner may contract with a nongovernmental
- 13 entity to perform ministerial functions required by this section,
- 14 including the collection of data and fees related to licensing.
- 15 Sec. 15. (a) Except as provided in section 16 of this chapter, an
- 16 individual who applies for an independent adjuster license under
- 17 this chapter must pass a written examination that is:
- 18 (1) developed and conducted according to rules adopted by
- 19 the commissioner under IC 4-22-2; and
- 20 (2) intended to test the knowledge of the individual
- 21 concerning:
- 22 (A) the lines of authority in which the individual has
- 23 applied for licensing under this chapter;
- 24 (B) the duties and responsibilities of an independent
- 25 adjuster; and
- 26 (C) Indiana insurance law.
- 27 (b) The commissioner may contract with a nongovernmental
- 28 entity to administer the written examination required by this
- 29 section.
- 30 (c) An individual described in subsection (a) shall remit, with
- 31 the application to take the written examination required by this
- 32 section, a nonrefundable examination fee in an amount set by the
- 33 commissioner or the organization administering the examination.
- 34 (d) If an individual:
- 35 (1) fails to appear for or to pass an examination; and
- 36 (2) desires to reschedule the examination;
- 37 the individual shall reapply for the written examination and remit
- 38 all fees and forms before scheduling an examination date.
- 39 Sec. 16. (a) An individual who applies for an independent
- 40 adjuster license under this chapter and who:
- 41 (1) possesses an independent adjuster license for the same line
- 42 of authority in which the individual has applied for licensing

COPY



1 under this chapter in a state in which a prelicensing
 2 independent adjuster licensure examination is required;
 3 (2) possessed an independent adjuster license that:
 4 (A) was for the same line of authority in which the
 5 individual has applied for licensing under this chapter in
 6 a state in which a prelicensing independent adjuster
 7 licensure examination is required; and
 8 (B) expired less than ninety (90) days before the date the
 9 commissioner receives the application; or
 10 (3) provides proof from contracting insurers that the
 11 individual has participated in claims adjudication in the same
 12 line of authority during the five (5) years immediately
 13 preceding the date of application;
 14 is not required to complete a prelicensing course as described in
 15 section 12(b)(5) of this chapter or pass a written examination under
 16 section 15 of this chapter before being licensed under this chapter.
 17 (b) An applicant who meets the criteria set forth in subsection
 18 (a)(1) or (a)(2) must provide certification from the other state that
 19 the applicant's independent adjuster license:
 20 (1) is currently in good standing; or
 21 (2) was in good standing at the time of expiration.
 22 (c) A person that:
 23 (1) is licensed as an independent adjuster in another state
 24 where a prelicensing independent adjuster licensure
 25 examination is required;
 26 (2) establishes legal residency in Indiana; and
 27 (3) applies for a resident independent adjuster license under
 28 this chapter less than ninety (90) days after the person
 29 establishes legal residency in Indiana;
 30 is not required to complete a prelicensing course as described in
 31 section 12(b)(5) of this chapter or pass a written examination under
 32 section 15 of this chapter before being licensed under this chapter.
 33 Sec. 17. (a) Except as provided in section 18 of this chapter, the
 34 commissioner shall issue a nonresident independent adjuster
 35 license to a person if:
 36 (1) the person is currently licensed in good standing as an
 37 independent adjuster in the person's home state;
 38 (2) the person has submitted:
 39 (A) the proper application for licensure;
 40 (B) a nonresident application fee of ninety dollars (\$90);
 41 and
 42 (C) in the case of a business entity, the information

COPY



1 described in section 13(a)(3) of this chapter; and
 2 (3) the person's designated home state awards nonresident
 3 independent adjuster licenses to residents of Indiana on the
 4 same basis as nonresident independent adjuster licenses are
 5 awarded under this chapter to residents of other states.
 6 (b) Except as provided in section 18 of this chapter, if a person
 7 that:
 8 (1) is not a resident of Indiana; and
 9 (2) is not licensed as an independent adjuster in another state;
 10 desires to obtain an independent adjuster license under this
 11 chapter, the person must comply with the requirements of section
 12 12 or 13 of this chapter, and sections 14 and 15 of this chapter, and
 13 must remit the nonresident application fee of ninety dollars (\$90).
 14 (c) The commissioner may:
 15 (1) verify an independent adjuster's licensure status in
 16 another state through an appropriate data base, including the
 17 insurance producer data base maintained by the NAIC or an
 18 affiliate or a subsidiary of the NAIC; or
 19 (2) request certification of good standing as described in
 20 section 16(b) of this chapter.
 21 (d) To maintain a valid nonresident independent adjuster license
 22 issued under this chapter:
 23 (1) the independent adjuster must maintain a valid resident
 24 independent adjuster license in the independent adjuster's
 25 home state; and
 26 (2) the independent adjuster's home state must award
 27 nonresident independent adjuster licenses to residents of
 28 Indiana on the same basis as nonresident independent
 29 adjuster licenses are awarded under this chapter to residents
 30 of other states.
 31 (e) For a nonresident independent adjuster license issued under
 32 this chapter to be renewed:
 33 (1) the independent adjuster must:
 34 (A) maintain a valid resident independent adjuster license
 35 in the independent adjuster's home state; and
 36 (B) remit to the commissioner a nonresident independent
 37 adjuster license renewal fee of ninety dollars (\$90); and
 38 (2) the independent adjuster's home state must award
 39 nonresident independent adjuster licenses to residents of
 40 Indiana on the same basis as nonresident independent
 41 adjuster licenses are awarded under this chapter to residents
 42 of other states.

COPY



1 (f) If a nonresident independent adjuster's home state license
2 terminates for any reason other than issuance of a new resident
3 independent adjuster license in a new home state:

- 4 (1) the person's nonresident independent adjuster license
- 5 issued under this chapter also terminates immediately; and
- 6 (2) the person shall immediately surrender the nonresident
- 7 independent adjuster license to the commissioner.

8 (g) If a nonresident independent adjuster's home state license
9 terminates due to the issuance of a new resident independent
10 adjuster license in a new home state, the independent adjuster
11 shall, not more than thirty (30) days after the nonresident
12 independent adjuster's home state license termination date,
13 provide notice of the termination to the commissioner and the
14 insurance commissioner of any state that has issued a nonresident
15 independent adjuster license to the independent adjuster. The
16 notice must specify the independent adjuster's previous home state
17 address and new home state address.

18 (h) If a resident independent adjuster's license issued under this
19 chapter terminates for any reason, the resident independent
20 adjuster shall, not more than thirty (30) days after the resident
21 adjuster license termination date, provide notice of the termination
22 to the insurance commissioner of any state that has issued a
23 nonresident independent adjuster license to the resident
24 independent adjuster. If the termination results from a change of
25 the resident independent adjuster's home state, the notice must
26 specify the independent adjuster's previous home state address and
27 new home state address.

28 Sec. 18. (a) The commissioner may suspend, revoke, or refuse to
29 issue or renew an independent adjuster license, or place an
30 independent adjuster on probation, for a cause set forth in
31 subsection (b).

32 (b) An independent adjuster is subject to the penalties set forth
33 in subsection (a) for any of the following:

- 34 (1) Providing incorrect, misleading, incomplete, or materially
- 35 untrue information in a license application.
- 36 (2) Violating an insurance law, a subpoena, or an order of the
- 37 commissioner or another state's insurance commissioner.
- 38 (3) Obtaining or attempting to obtain a license through
- 39 misrepresentation or fraud.
- 40 (4) Improperly withholding, misappropriating, or converting
- 41 money or property received in the course of doing insurance
- 42 business.

C
O
P
Y



- 1 (5) Intentionally misrepresenting the terms of an actual or
- 2 proposed insurance contract or application for insurance.
- 3 (6) Having been convicted of a felony.
- 4 (7) Having admitted or been found to have committed any
- 5 unfair trade practice or fraud in the business of insurance.
- 6 (8) Using fraudulent, coercive, or dishonest practices, or
- 7 demonstrating incompetence, untrustworthiness, or financial
- 8 irresponsibility, in the conduct of insurance business.
- 9 (9) Having an insurance license, or its equivalent, probated,
- 10 suspended, revoked, or refused in another state, province,
- 11 district, or territory.
- 12 (10) Forging another person's name to a document related to
- 13 an insurance transaction.
- 14 (11) Cheating, including improperly using notes or any other
- 15 reference material, to complete an examination for an
- 16 insurance license.
- 17 (12) Failing to comply with an administrative or court order
- 18 imposing a child support obligation.
- 19 (13) Failing to pay state income tax or failing to comply with
- 20 an administrative or court order directing payment of state
- 21 income tax.
- 22 (c) If the commissioner refuses an application for licensure or
- 23 for the renewal of an existing license under this chapter, the
- 24 commissioner shall notify the applicant or licensee in writing,
- 25 advising of the reason for the refusal. The applicant or licensee
- 26 may, not more than thirty (30) days after receiving the
- 27 commissioner's notice of refusal, make written demand upon the
- 28 commissioner for a hearing to determine the reasonableness of the
- 29 refusal. The hearing must be held under IC 4-21.5 not more than
- 30 twenty (20) days after the commissioner receives the applicant's or
- 31 licensee's written demand.
- 32 (d) The commissioner may suspend, revoke, or refuse a business
- 33 entity's independent adjuster license under this chapter or place a
- 34 business entity licensed under this chapter on probation if, after a
- 35 hearing under IC 4-21.5, the commissioner finds that:
- 36 (1) the individual licensed independent adjuster designated by
- 37 the business entity under section 13(b)(2) of this chapter as
- 38 being responsible for the business entity's compliance with
- 39 Indiana insurance law committed a violation described in
- 40 subsection (b) while acting on behalf of or representing the
- 41 business entity;
- 42 (2) the violation was known or should have been known by at

C
O
P
Y



- 1 least one (1) of the business entity's partners, officers, or
- 2 managers;
- 3 (3) the violation was not reported to the commissioner; and
- 4 (4) the business entity did not take corrective action.

5 (e) In addition to or instead of a penalty imposed under
 6 subsection (a), the commissioner may, after a hearing under
 7 IC 4-21.5, impose a civil penalty of at least fifty dollars (\$50) and
 8 not more than ten thousand dollars (\$10,000), regardless of
 9 whether the person on whom the penalty is imposed holds an
 10 independent adjuster license issued under this chapter that is in
 11 effect. A penalty imposed under this subsection may be enforced in
 12 the same manner as a civil judgment.

13 Sec. 19. (a) Except as provided in subsection (b), an individual
 14 who holds a license under this chapter shall, every two (2) years,
 15 satisfactorily complete a minimum of twenty-four (24) hours of
 16 continuing education courses and report the completion of the
 17 courses to the commissioner.

- 18 (b) This section does not apply to the following:
- 19 (1) An individual who is licensed for less than twelve (12)
- 20 months before the end of the applicable continuing education
- 21 biennium.
- 22 (2) A licensed nonresident independent adjuster who has met
- 23 the continuing education requirements of the licensed
- 24 nonresident independent adjuster's designated home state.

25 Sec. 20. An independent adjuster shall:

- 26 (1) maintain a copy of each contract between the independent
- 27 adjuster and an insurer or a self-insurer; and
- 28 (2) comply with the record retention policy agreed to in the
- 29 contract described in subdivision (1).

30 Sec. 21. An independent adjuster shall do all of the following:

- 31 (1) Be honest and fair in all communications with an insured,
- 32 an insurer, a self-insurer, and the public.
- 33 (2) Give policyholders and claimants prompt and
- 34 knowledgeable service and courteous, fair, and objective
- 35 treatment.
- 36 (3) Refrain from:
 - 37 (A) giving legal advice; or
 - 38 (B) dealing directly with a policyholder or claimant who is
 - 39 represented by legal counsel unless the legal counsel
 - 40 consents to the direct contact.
- 41 (4) Comply with all local, state, and federal privacy and
- 42 information security laws.

COPY



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

- (5) Identify:**
 - (A) the independent adjuster's self as an independent adjuster; and**
 - (B) if applicable, the independent adjuster's employer; when dealing with a policyholder or claimant.**
- (6) Refrain from:**
 - (A) having any financial interest in an adjustment; or**
 - (B) acquiring, for the independent adjuster or any person, an interest or a title in salvage without first receiving written authority from the principal.**

Sec. 22. (a) An independent adjuster shall report to the commissioner an administrative action taken against the independent adjuster:

- (1) in another jurisdiction; or**
- (2) by another governmental agency in Indiana; not more than thirty (30) days after the final disposition of the matter. The report must include a copy of the order or consent order, and any other relevant documentation.**

(b) An independent adjuster shall report to the commissioner any criminal action taken against the independent adjuster:

- (1) in another jurisdiction; or**
- (2) by another governmental agency in Indiana; not more than thirty (30) days after the final disposition of the criminal matter. The report must include a copy of the initial complaint filed, the final order issued by the court, and any other relevant documentation.**

Sec. 23. If an independent adjuster uses an automated claims adjudication system, the independent adjuster shall maintain proof of the certification described in section 3(4) of this chapter and provide the proof of certification to the commissioner upon request.

Sec. 24. The commissioner shall deposit a fee received under this chapter into the department of insurance fund established by IC 27-1-3-28.

SECTION 23. IC 27-1-36-29 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 29. As used in this chapter, "company action level event" means any of the following events:

- (1) The filing of an RBC report by an insurer that indicates that:**
 - (A) the insurer's total adjusted capital is:**
 - (i) greater than or equal to its regulatory action level RBC;**
 - but**

**C
O
P
Y**



1 (ii) less than its company action level RBC; ~~or~~
2 (B) if a life and health insurer, the insurer:
3 (i) has total adjusted capital that is greater than or equal to
4 its company action level RBC but less than the product of
5 two and five-tenths (2.5) multiplied by its authorized control
6 level RBC; and
7 (ii) has a negative trend; ~~or~~
8 **(C) if a property and casualty insurer, the insurer:**
9 **(i) has total adjusted capital that is greater than or equal**
10 **to its company action level RBC but less than the**
11 **product of three (3) multiplied by its authorized control**
12 **level RBC; and**
13 **(ii) has a negative trend.**
14 (2) The notification by the commissioner to the insurer of an
15 adjusted RBC report that indicates that:
16 (A) the insurer's total adjusted capital is:
17 (i) greater than or equal to its regulatory action level RBC;
18 but
19 (ii) less than its company action level RBC; ~~or~~
20 (B) if a life and health insurer, the insurer:
21 (i) has total adjusted capital that is greater than or equal to
22 its company action level RBC but less than the product of
23 two and five-tenths (2.5) multiplied by its authorized control
24 level RBC; and
25 (ii) has a negative trend; ~~or~~
26 **(C) if a property and casualty insurer, the insurer:**
27 **(i) has total adjusted capital that is greater than or equal**
28 **to its company action level RBC but less than the**
29 **product of three (3) multiplied by its authorized control**
30 **level RBC; and**
31 **(ii) has a negative trend;**
32 unless the insurer challenges the adjusted RBC report under
33 section 44 of this chapter.
34 (3) The notification by the commissioner to the insurer that the
35 commissioner has, after a hearing under section 44 of this chapter,
36 rejected the insurer's challenge to an adjusted RBC report
37 described in subdivision (2).
38 SECTION 24. IC 27-2-21-10 IS AMENDED TO READ AS
39 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 10. As used in this
40 chapter, "insurance producer" has the meaning set forth in
41 ~~IC 27-1-15.6-2(7)~~. **IC 27-1-15.6-2.**
42 SECTION 25. IC 27-4-5-2 IS AMENDED TO READ AS

COPY



1 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 2. (a) It is a Class A
 2 infraction for an insurer to transact insurance business in this state, as
 3 set forth in subsection (b), without a certificate of authority from the
 4 commissioner. However, this section does not apply to the following:
 5 (1) The lawful transaction of surplus lines insurance.
 6 (2) The lawful transaction of reinsurance by insurers.
 7 (3) Transactions in this state involving a policy lawfully solicited,
 8 written, and delivered outside of this state covering only subjects
 9 of insurance not resident, located, or expressly to be performed in
 10 this state at the time of issuance, and which transactions are
 11 subsequent to the issuance of such policy.
 12 (4) Attorneys acting in the ordinary relation of attorney and client
 13 in the adjustment of claims or losses.
 14 (5) Transactions in this state involving group life and group
 15 sickness and accident or blanket sickness and accident insurance
 16 or group annuities where the master policy of such groups was
 17 lawfully issued and delivered in and pursuant to the laws of a
 18 state in which the insurer was authorized to do an insurance
 19 business, to a group organized for purposes other than the
 20 procurement of insurance, and where the policyholder is
 21 domiciled or otherwise has a bona fide situs.
 22 (6) Transactions in this state relative to a policy issued or to be
 23 issued outside this state involving insurance on vessels, craft or
 24 hulls, cargos, marine builder's risk, marine protection and
 25 indemnity or other risk, including strikes and war risks commonly
 26 insured under ocean or wet marine forms of policy.
 27 (7) Transactions in this state involving life insurance, health
 28 insurance, or annuities provided to religious or charitable
 29 institutions organized and operated without profit to any private
 30 shareholder or individual for the benefit of such institutions and
 31 individuals engaged in the service of such institutions.
 32 (8) Transactions in this state involving contracts of insurance not
 33 readily obtainable in the ordinary insurance market and issued to
 34 one (1) or more industrial insureds. For purposes of this section,
 35 an "industrial insured" means an insured:
 36 (A) who procures the insurance of any risk or risks by use of
 37 the services of a full-time employee acting as an insurance
 38 manager or buyer or the services of a regularly retained and
 39 continuously qualified insurance consultant;
 40 (B) whose aggregate annual premium for insurance on all risks
 41 totals at least twenty-five thousand dollars (\$25,000); and
 42 (C) who has at least twenty-five (25) full-time employees;

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

(D) who, on or before February 1 (for the preceding six (6) month period ending December 31) and August 1 (for the preceding six (6) month period ending June 30) of each year, remits to the department an amount equal to two and one-half percent (2.5%) of all gross premiums upon all policies and contracts procured by the insured under this section, plus:

- (i) ten percent (10%) of the amount due for the first month after the date specified in this clause, during which the amount described in this clause is not remitted in compliance with this clause; and**
- (ii) an additional one percent (1%) of the amount due for each additional month during which the amount due under this clause is unpaid; and**

(E) who files with the department, with the amount remitted under clause (D), an affidavit specifying all transactions undertaken and policies and contracts procured during the preceding calendar year, including the following:

- (i) The description and location of the insured property or risk and the name of the insured.**
- (ii) The gross premiums charged for the policy or contract.**
- (iii) The name and home office address of the insurer that issues the policy or contract and the kind of insurance affected.**
- (iv) A statement that the insured, after diligent effort, was unable to procure from any insurer authorized to transact the particular kind of insurance business in Indiana the full amount of insurance coverage required to protect the insured.**

(9) Transactions in Indiana involving the rendering of any service by any ambulance service provider and all fees, costs, and membership payments charged for the service. To qualify under this subdivision, the ambulance service provider:

- (A) must have its ambulance service program approved by an ordinance of the legislative body of the county or city in which it operates; and**
- (B) may not offer any membership program that includes benefits exceeding one (1) year in duration.**

(b) Any of the following acts in this state effected by mail or otherwise by or on behalf of an unauthorized insurer constitutes the

**C
O
P
Y**



1 transaction of an insurance business in this state. The venue of an act
 2 committed by mail is at the point where the matter transmitted by mail
 3 is delivered and takes effect. Unless otherwise indicated, the term
 4 "insurer" as used in this section includes all persons engaged as
 5 principals in the business of insurance and also includes interinsurance
 6 exchanges and mutual benefit societies.

7 (1) The making of or proposing to make, as an insurer, an
 8 insurance contract.

9 (2) The making of or proposing to make, as guarantor or surety,
 10 any contract of guaranty or suretyship as a vocation and not
 11 merely incidental to any other legitimate business or activity of
 12 the guarantor or surety.

13 (3) The taking or receiving of any application for insurance.

14 (4) The receiving or collection of any premium, commission,
 15 membership fees, assessments, dues, or other consideration for
 16 any insurance or any part thereof.

17 (5) The issuance or delivery of contracts of insurance to residents
 18 of this state or to persons authorized to do business in this state.

19 (6) Acting as an agent for or otherwise representing or aiding on
 20 behalf of another person or insurer in the solicitation, negotiation,
 21 procurement, or effectuation of insurance or renewals thereof or
 22 in the dissemination of information as to coverage or rates, or
 23 forwarding of applications, or delivery of policies or contracts, or
 24 inspection of risks, a fixing of rates or investigation or adjustment
 25 of claims or losses or in the transaction of matters subsequent to
 26 effectuation of the contract and arising out of it, or representing
 27 or assisting a person or an insurer in the transaction of insurance
 28 with respect to subjects of insurance resident, located, or to be
 29 performed in this state. This subdivision does not prohibit
 30 full-time salaried employees of a corporate insured from acting in
 31 the capacity of an insurance manager or buyer in placing
 32 insurance in behalf of the employer.

33 (c)(1) The failure of an insurer transacting insurance business in this
 34 state to obtain a certificate of authority does not impair the validity of
 35 any act or contract of such insurer and does not prevent such insurer
 36 from defending any action at law or suit in equity in any court of this
 37 state, but no insurer transacting insurance business in this state without
 38 a certificate of authority may maintain an action in any court of this
 39 state to enforce any right, claim, or demand arising out of the
 40 transaction of such business until such insurer obtains a certificate of
 41 authority.

42 (2) In the event of failure of any such unauthorized insurer to pay

C
O
P
Y



1 any claim or loss within the provisions of such insurance contract, any
2 person who assisted or in any manner aided directly or indirectly in the
3 procurement of such insurance contract is liable to the insured for the
4 full amount of the claim or loss in the manner provided by the
5 insurance contract.

6 SECTION 26. IC 27-6-10-7 IS AMENDED TO READ AS
7 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. Credit for
8 reinsurance shall be allowed to any domestic ceding insurer as either
9 an asset or a deduction from liability on account of reinsurance ceded
10 only when:

- 11 (1) the reinsurer meets the requirements of:
 - 12 (A) section 8 of this chapter;
 - 13 (B) section 9 of this chapter;
 - 14 (C) sections 10 and 12 of this chapter;
 - 15 (D) sections 11 and 12 of this chapter; or
 - 16 (E) section 13 of this chapter; or
 - 17 (F) **section 16 of this chapter;** and
- 18 (2) the reinsurance contract provides in substance that, in the
19 event of the insolvency of the ceding insurer, the reinsurance is
20 payable under a contract reinsured by the assuming insurer on the
21 basis of reported claims allowed in the liquidation proceedings,
22 subject to court approval, without diminution because of the
23 insolvency of the ceding insurer. Payments under this subdivision
24 must be made directly to the ceding insurer or to the ceding
25 insurer's domiciliary liquidator except as provided in
26 IC 27-9-3-30.1. The reinsurance agreement may provide that the
27 domiciliary liquidator of an insolvent ceding insurer shall give
28 written notice to an assuming insurer of the pendency of a claim
29 against the ceding insurer on the contract reinsured within a
30 reasonable time after the claim is filed in the liquidation
31 proceeding. During the pendency of the claim, any assuming
32 insurer may investigate the claim and interpose in the proceeding
33 where the claim is to be adjudicated, at the assuming insurer's
34 expense, any defenses that the assuming insurer considers
35 available to the ceding insurer or the liquidator. If two (2) or more
36 assuming insurers are involved in the same claim and a majority
37 in interest elect to interpose a defense to the claim, the expense
38 must be apportioned under the terms of the reinsurance agreement
39 as though the expense had been incurred by the ceding insurer.

40 SECTION 27. IC 27-6-10-16 IS ADDED TO THE INDIANA
41 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
42 [EFFECTIVE UPON PASSAGE]: **Sec. 16. (a) The commissioner**

C
o
p
y



1 may, after making the considerations required by subsection (b)
 2 and ensuring compliance as required by subsection (c), allow credit
 3 for reinsurance ceded by a domestic ceding insurer to an assuming
 4 insurer or group of assuming insurers that:

- 5 (1) does not meet the requirements of sections 8 through 13 of
- 6 this chapter; and
- 7 (2) holds surplus or the equivalent in excess of two hundred
- 8 fifty million dollars (\$250,000,000).

9 (b) The commissioner shall consider the following before
 10 allowing credit for reinsurance under subsection (a):

- 11 (1) Whether the assuming insurer:
- 12 (A) individually; or
- 13 (B) with the assuming insurer's parent and affiliated
- 14 reinsurers, as determined appropriate by the
- 15 commissioner;
- 16 has a secure financial strength rating from at least two (2)
- 17 nationally recognized statistical rating organizations that the
- 18 commissioner considers acceptable.
- 19 (2) The domiciliary regulatory jurisdiction of the assuming
- 20 insurer.
- 21 (3) The structure and authority of the domiciliary regulator
- 22 with regard to solvency regulation requirements and the
- 23 financial surveillance of the assuming insurer.
- 24 (4) The substance of financial and operating standards for
- 25 assuming insurers in the domiciliary jurisdiction.
- 26 (5) The form and substance of:
- 27 (A) financial reports required to be filed by the assuming
- 28 insurer in the domiciliary jurisdiction; or
- 29 (B) other public financial statements filed in accordance
- 30 with generally accepted accounting principles.
- 31 (6) The domiciliary regulator's willingness to cooperate with
- 32 United States regulators in general, and the commissioner in
- 33 particular.
- 34 (7) The history of performance by reinsurers in the
- 35 domiciliary jurisdiction.
- 36 (8) Documented evidence of substantial problems with the
- 37 enforcement of valid United States judgments in the
- 38 domiciliary jurisdiction.
- 39 (9) Other matters that the commissioner considers relevant.
- 40 (c) The commissioner shall ensure that an assuming insurer or
- 41 group of assuming insurers has complied with the following before
- 42 allowing credit for reinsurance under subsection (a):

COPY



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

- (1) The assuming insurer has submitted to the commissioner, in a form prescribed by the commissioner, a stipulation that the assuming insurer:**
 - (A) submits to the jurisdiction of the courts of the United States;**
 - (B) appoints an agent for service of process in the United States; and**
 - (C) agrees to post one hundred percent (100%) collateral for the assuming insurer's United States liabilities if the assuming insurer resists enforcement of a final judgment of a court of the United States.**
- (2) The assuming insurer has filed with the commissioner, upon application and annually, copies of the following:**
 - (A) Audited financial statements, regulatory filings, and actuarial opinions filed with the assuming insurer's domiciliary regulator.**
 - (B) A report in a form substantially similar to the applicable National Association of Insurance Commissioners Annual Filing Blank.**
 - (C) A report of recoverables that are:**
 - (i) in dispute; or**
 - (ii) more than ninety (90) days past due.**
 - (D) Financial statements of the assuming insurer, the assuming insurer's parent, and affiliated reinsurers.**
- (d) The commissioner shall do the following:**
 - (1) On an ongoing basis:**
 - (A) evaluate the:**
 - (i) regulatory systems of alien jurisdictions; and**
 - (ii) rights, benefits, and extent of reciprocal recognition afforded by alien jurisdictions to reinsurers that are domiciled and licensed in the United States;**
 - (B) determine the appropriate approach to recognizing the regulatory systems of alien jurisdictions described in clause (A); and**
 - (C) publish a list of alien jurisdictions whose reinsurers may be approved by the commissioner as assuming insurers for which credit for reinsurance may be allowed under this chapter.**
 - (2) In determining the alien jurisdictions to be included on the list published under subdivision (1)(C), the commissioner shall consider the following:**
 - (A) Reciprocal treatment by the alien jurisdiction of**

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

reinsurers that are domiciled and licensed in the United States.

(B) Solvency procedures involving ceding insurers that are domiciled and licensed in the United States.

(C) Whether the alien jurisdiction adequately and promptly enforces final United States judgments or arbitration awards.

(D) Whether the alien jurisdiction agrees to share information and cooperate with the commissioner with respect to reinsurers that are domiciled and licensed in the alien jurisdiction.

(E) Relevant international standards for mutual recognition of reinsurance regulation.

(3) Consider adoption of recommendations by the National Association of Insurance Commissioners for inclusion on the list published under subdivision (1)(C).

(e) If an assuming insurer or a group of assuming insurers for which credit for reinsurance is allowed under subsection (a) continues throughout the year to pay claims in a timely manner, the assuming insurer or group of assuming insurers is not required to post collateral for the following catastrophe recoverables for one (1) year after the date of the first liability reserve entry by a ceding company resulting from a loss from a defined catastrophe recognized by the commissioner:

- (1) Fire.
- (2) Allied lines.
- (3) Farmowners multiple peril.
- (4) Homeowners multiple peril.
- (5) Commercial multiple peril.
- (6) Inland marine.
- (7) Earthquake.
- (8) Motor vehicle physical damage.

(f) The commissioner may, in lieu of granting full credit under this section and subject to subsection (g), reduce the amount:

- (1) required to be held in trust under section 11 of this chapter; or
- (2) of security required to be held under section 14 of this chapter.

(g) The commissioner may, under subsection (f), reduce the amount of required collateral only if the amount of required collateral remaining is not less than the amount specified in the required collateral column in the following table, based on the

C
O
P
Y



1 financial strength rating that is lowest in the table and applies to
2 the assuming insurer or group of assuming insurers:

3 Required	4 Financial Strength Ratings			
5 Collateral	A.M. Best	Standard and Poor's	Moody's	Fitch Ratings
6 0%	A++	AAA	Aaa	AAA
7 10%	A+	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-
8 20%	A, A-	A+, A, A-	A1, A2, A3	A+, A, A-
9 75%	B++, B+	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-
10 100%	B, B-, C++, C+, C, C-, D, E, F	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R	Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C	BB+, BB, BB-, B+, B, B-, CCC+, CC, CCC-, DD

11 SECTION 28. IC 27-7-3-3 IS AMENDED TO READ AS
12 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 3. (a) Any domestic
13 corporation having:

14 (1) among its purposes the insuring against loss or damage on
15 account of encumbrances upon or defects in the title to real estate;
16 and

17 (2) a physical office in Indiana;

18 is hereby authorized to organize under IC 23-1, and any foreign
19 corporation, having among its purposes the insuring against loss or
20 damage on account of encumbrances upon or defects in the title to real
21 estate, is hereby authorized to and may be admitted to do business in
22 this state under IC 23-1. Any domestic or foreign corporation,
23 organized or admitted to do business before or after June 7, 1937, as
24 provided in this section, may engage in business as a title insurance
25 company by complying with the provisions of this chapter.

26 (b) A domestic corporation admitted to do business as described
27 in subsection (a) shall provide written notice to the department of
28 insurance and all policyholders of a change in location of the
29 domestic corporation's physical office in Indiana, including the
30 address and telephone number of the new location.

31 SECTION 29. IC 27-7-3-3.5 IS ADDED TO THE INDIANA CODE
32 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
33 1, 2011]: Sec. 3.5. (a) A domestic corporation admitted to do
34 business as described in section 3 of this chapter is subject to the
35 following:



C
o
p
y

1 **(1) IC 27-1-6-21.**

2 **(2) IC 27-1-7-11.**

3 **(3) IC 27-9.**

4 **(b) A foreign corporation admitted to do business as described**
 5 **in section 3 of this chapter is subject to IC 27-1-17-9.**

6 SECTION 30. IC 27-8-5-16.5, AS AMENDED BY P.L.127-2006,
 7 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 8 JULY 1, 2011]: Sec. 16.5. (a) As used in this section, "delivery state"
 9 means any state other than Indiana in which a policy is delivered or
 10 issued for delivery.

11 (b) Except as provided in subsection (c), (d), or (e), a certificate may
 12 not be issued to a resident of Indiana pursuant to a group policy that is
 13 delivered or issued for delivery in a state other than Indiana.

14 (c) A certificate may be issued to a resident of Indiana pursuant to
 15 a group policy not described in subsection (d) that is delivered or
 16 issued for delivery in a state other than Indiana if:

17 (1) the delivery state has a law substantially similar to section 16
 18 of this chapter;

19 (2) the delivery state has approved the group policy; and

20 (3) the policy or the certificate contains provisions that are:

21 (A) substantially similar to the provisions required by:

22 (i) section 19 of this chapter;

23 (ii) section 21 of this chapter; and

24 (iii) IC 27-8-5.6; and

25 (B) consistent with the requirements set forth in:

26 (i) section 24 of this chapter;

27 (ii) IC 27-8-6;

28 (iii) IC 27-8-14;

29 (iv) IC 27-8-23;

30 (v) 760 IAC 1-38.1; and

31 (vi) 760 IAC 1-39.

32 (d) A certificate may be issued to a resident of Indiana under an
 33 association group policy, a discretionary group policy, or a trust group
 34 policy that is delivered or issued for delivery in a state other than
 35 Indiana if:

36 (1) the delivery state has a law substantially similar to section 16
 37 of this chapter;

38 (2) the delivery state has approved the group policy; and

39 (3) the policy or the certificate contains provisions that are:

40 (A) substantially similar to the provisions required by:

41 (i) section 19 of this chapter or, if the policy or certificate is
 42 described in section 2.5(b)(2) of this chapter, section 2.5 of

C
O
P
Y



- 1 this chapter;
- 2 (ii) section ~~19.2~~ 19.3 of this chapter if the policy or
- 3 certificate contains a waiver of coverage;
- 4 (iii) section 21 of this chapter; and
- 5 (iv) IC 27-8-5.6; and
- 6 (B) consistent with the requirements set forth in:
- 7 (i) section 15.6 of this chapter;
- 8 (ii) section 24 of this chapter;
- 9 (iii) section 26 of this chapter;
- 10 (iv) IC 27-8-6;
- 11 (v) IC 27-8-14;
- 12 (vi) IC 27-8-14.1;
- 13 (vii) IC 27-8-14.5;
- 14 (viii) IC 27-8-14.7;
- 15 (ix) IC 27-8-14.8;
- 16 (x) IC 27-8-20;
- 17 (xi) IC 27-8-23;
- 18 (xii) IC 27-8-24.3;
- 19 (xiii) IC 27-8-26;
- 20 (xiv) IC 27-8-28;
- 21 (xv) IC 27-8-29;
- 22 (xvi) 760 IAC 1-38.1; and
- 23 (xvii) 760 IAC 1-39.
- 24 (e) A certificate may be issued to a resident of Indiana pursuant to
- 25 a group policy that is delivered or issued for delivery in a state other
- 26 than Indiana if the commissioner determines that the policy pursuant
- 27 to which the certificate is issued meets the requirements set forth in
- 28 section 17(a) of this chapter.
- 29 (f) This section does not affect any other provision of Indiana law
- 30 governing the terms or benefits of coverage provided to a resident of
- 31 Indiana under any certificate or policy of insurance.
- 32 SECTION 31. IC 27-8-5-17, AS AMENDED BY P.L.218-2007,
- 33 SECTION 47, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 34 JULY 1, 2011]: Sec. 17. (a) A group accident and sickness insurance
- 35 policy shall not be delivered or issued for delivery in Indiana to a group
- 36 that is not described in section 16(1)(A), 16(2)(A), 16(3)(A), 16(4)(A),
- 37 16(5)(A), 16(6)(A), 16(7), or 16(8) of this chapter unless:
- 38 (1) the group applies to the commissioner for approval as a
- 39 discretionary group;
- 40 (2) the commissioner reviews the group according to the same
- 41 standards as a group described in section 16 of this chapter;
- 42 and

C
o
p
y



- 1 **(3)** the commissioner finds that:
- 2 ~~(1)~~ **(A)** the issuance of the policy is not contrary to the best
- 3 interest of the public;
- 4 ~~(2)~~ **(B)** the issuance of the policy would result in economies of
- 5 acquisition or administration; and
- 6 ~~(3)~~ **(C)** the benefits of the policy are reasonable in relation to
- 7 the premiums charged.

8 (b) Except as otherwise provided in this chapter, an insurer may
 9 exclude or limit the coverage under a policy described in subsection (a)
 10 on any person as to whom evidence of individual insurability is not
 11 satisfactory to the insurer.

12 SECTION 32. IC 27-8-15-1 IS AMENDED TO READ AS
 13 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 1. This chapter applies
 14 to any ~~individual~~ or group health insurance plan that is issued for
 15 delivery in Indiana to at least ~~three~~ **(2)** employees of a small
 16 employer located in Indiana if one (1) of the following conditions is
 17 met:

18 (1) Any part of the premium or benefits is paid by a small
 19 employer or any covered individual is reimbursed, whether
 20 through wage adjustments or otherwise, by a small employer for
 21 any part of the premium not including the administrative expenses
 22 of administering a payroll deduction plan where the employee
 23 contributes one hundred percent (100%) of the premium without
 24 reimbursement.

25 (2) The health benefit plan is treated by the employer or any of the
 26 covered individuals as part of a plan or program for purposes of
 27 Section 106 or 162 of the United States Internal Revenue Code.

28 SECTION 33. IC 27-8-15-8.5 IS AMENDED TO READ AS
 29 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 8.5. (a) As used in this
 30 chapter, "eligible employee" means an employee:

31 (1) who is employed to work at least thirty (30) hours each week;
 32 ~~The term includes:~~

- 33 ~~(A) a sole proprietor; and~~
- 34 ~~(B) a partner in a partnership;~~

35 ~~if the sole proprietor or partner is included as an employee under~~
 36 ~~a health insurance plan of a small employer; and~~

37 (2) who meets an applicable waiting period required by a small
 38 employer before gaining coverage under a health insurance
 39 policy.

- 40 **(b) The term includes:**
- 41 **(1) a sole proprietor;**
- 42 **(2) a partner in a partnership; and**

**C
O
P
Y**



1 **(3) an owner of an S corporation;**
2 **regardless of whether the sole proprietor, partner, or owner is**
3 **included as an employee for purposes of taxation of a small**
4 **employer.**

5 ~~(b)~~ **(c)** The term does not include:

- 6 (1) an employee who works on a temporary or substitute basis; or
- 7 (2) a seasonal employee.

8 SECTION 34. IC 27-8-15-9 IS AMENDED TO READ AS
9 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 9. (a) Except as
10 provided in section 28 of this chapter, as used in this chapter, "health
11 insurance plan" or "plan" means any:

- 12 (1) hospital or medical expense incurred policy or certificate;
 - 13 (2) hospital or medical service plan contract; or
 - 14 (3) health maintenance organization subscriber contract;
- 15 provided to the employees of a small employer.

16 (b) The term does not include the following:

- 17 (1) Accident-only, credit, dental, vision, Medicare supplement,
18 long term care, or disability income insurance.
- 19 (2) Coverage issued as a supplement to liability insurance.
- 20 (3) Worker's compensation or similar insurance.
- 21 (4) Automobile medical payment insurance.
- 22 (5) A specified disease policy. ~~issued as an individual policy.~~
- 23 ~~(6) A limited benefit health insurance policy issued as an~~
24 ~~individual policy.~~

25 ~~(7)~~ **(6)** A short term insurance plan that:

- 26 (A) may not be renewed; and
- 27 (B) has a duration of not more than six (6) months.

28 ~~(8)~~ **(7)** A policy that provides a stipulated daily, weekly, or
29 monthly payment to an insured during hospital confinement;
30 without regard to the actual expense of the confinement;
31 **indemnity benefits not based on any expense incurred**
32 **requirement, including a plan that provides coverage for:**

- 33 **(A) hospital confinement, critical illness, or intensive care;**
34 **or**
35 **(B) gaps for deductibles or copayments.**

36 **(8)** A supplemental plan that always pays in addition to other
37 coverage.

38 **(9)** A student health plan.

39 **(10)** An employer sponsored health benefit plan that is:

- 40 **(A) provided to individuals who are eligible for Medicare;**
41 **and**
42 **(B) not marketed as, or held out to be, a Medicare**

C
o
p
y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

supplement policy.

SECTION 35. IC 27-8-15-31 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 31. (a) If an eligible employee who has been continuously covered under a health insurance plan for at least ninety (90) days:

(1) loses coverage under the plan as the result of:

(A) termination of employment;

(B) reduction of hours;

(C) marriage dissolution; or

(D) attainment of any age specified in the plan; ~~and~~

(2) is not eligible for continuation coverage under the federal Consolidated Omnibus Budget Reconciliation Act of 1985; and

~~(2)~~ **(3)** requests a conversion policy from the small employer insurer that insured the health insurance plan;

the individual is entitled to receive a conversion policy from the small employer insurer.

(b) A request under subsection ~~(a)(2)~~ **(a)** must be made within thirty (30) days after the individual loses coverage under the health insurance plan.

(c) The premium for a conversion policy issued under this section shall not exceed one hundred fifty percent (150%) of the rate that would have been charged under the small employer health insurance plan with respect to the individual if the individual had been covered as an eligible employee under the plan during the same period. If the health insurance plan under which the individual was covered is canceled or is not renewed, the rates shall be based on the rate that would have been charged with respect to the individual if the plan had continued in force, as determined by the small employer insurer in accordance with standard actuarial principles.

(d) A conversion policy issued under this section must be approved by the insurance commissioner as described in IC 27-8-5-1. The commissioner may not approve a conversion policy unless the policy and its benefits are:

(1) comparable to those required under IC 27-13-1-4(a)(2) through IC 27-13-1-4(a)(5);

(2) reasonable in relation to the premium charged; and

(3) in compliance with IC 27-8-6-1.

If the benefit limits of the conversion policy are not more than the benefit limits of the small employer's health insurance plan, the small employer insurer shall credit the individual with any waiting period, deductible, or coinsurance credited to the individual under the small

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

employer's health insurance plan.

(e) This section expires on the effective date of a mechanism enacted by the general assembly to offset the potential fiscal impact on small employers and small employer insurers that results from the establishment of a continuation policy under section 31.1 of this chapter.

SECTION 36. IC 27-9-3.1 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]:

Chapter 3.1. Treatment of Certain Agreements

Sec. 1. (a) As used in this chapter, "actual direct compensatory damages" includes:

- (1) normal and reasonable costs of cover;**
- (2) other reasonable measures of damages used in the derivatives market, the securities market, or another market for contract claims.**

(b) The term does not include:

- (1) punitive or exemplary damages;**
- (2) damages for lost profit or lost opportunity; or**
- (3) damages for pain and suffering.**

Sec. 2. As used in this chapter, "business day" means a day other than:

- (1) Saturday;**
- (2) Sunday; or**
- (3) a day on which either the New York Stock Exchange or the Federal Reserve Bank of New York is closed.**

Sec. 3. As used in this chapter, "commodity contract" means any of the following:

- (1) A contract for the purchase or sale of a commodity:**
 - (A) for future delivery on; or**
 - (B) subject to the rules of;****a board of trade or contract market under the federal Commodity Exchange Act (7 U.S.C. 1 et seq.) or a board of trade outside the United States.**
- (2) An agreement that is:**
 - (A) subject to regulation under Section 19 of the federal Commodity Exchange Act (7 U.S.C. 1 et seq.); and**
 - (B) commonly known to the commodities trade as a margin account, margin contract, leverage account, or leverage contract.**
- (3) An agreement or transaction that is:**
 - (A) subject to regulation under Section 4c(b) of the federal**

**C
o
p
y**



- 1 Commodity Exchange Act (7 U.S.C. 1 et seq.); and
- 2 (B) commonly known to the commodities trade as a
- 3 commodity option.
- 4 (4) A combination of the contracts, agreements, or
- 5 transactions described in subdivisions (1) through (3).
- 6 (5) An option to enter into:
- 7 (A) a contract;
- 8 (B) an agreement;
- 9 (C) a transaction; or
- 10 (D) a combination of contracts, agreements, or
- 11 transactions;
- 12 described in subdivisions (1) through (4).

13 Sec. 4. As used in this chapter, "contractual right" includes the
 14 following:

- 15 (1) A right set forth in a rule, bylaw, or resolution of the
- 16 governing board of any of the following:
- 17 (A) A derivatives clearing organization (as defined in the
- 18 federal Commodity Exchange Act (7 U.S.C. 1 et seq.)).
- 19 (B) A multilateral clearing organization (as defined in the
- 20 Federal Deposit Insurance Corporation Improvement Act
- 21 (12 U.S.C. 1821)).
- 22 (C) A national securities exchange, national securities
- 23 association, or securities clearing agency.
- 24 (D) A contract market designated under the federal
- 25 Commodity Exchange Act (7 U.S.C. 1 et seq.).
- 26 (E) A derivatives transaction execution facility registered
- 27 under the federal Commodity Exchange Act (7 U.S.C. 1 et
- 28 seq.).
- 29 (F) A board of trade (as defined in the federal Commodity
- 30 Exchange Act (7 U.S.C. 1 et seq.)).
- 31 (2) A right, regardless of whether evidenced in writing,
- 32 arising:
- 33 (A) under statutory or common law;
- 34 (B) under the law merchant; or
- 35 (C) by reason of normal business practice.

36 Sec. 5. As used in this chapter, "forward contract" has the
 37 meaning set forth in the Federal Deposit Insurance Act (12 U.S.C.
 38 1821).

39 Sec. 6. (a) As used in this chapter, "netting agreement" means
 40 a new agreement that:

- 41 (1) allows the parties to a previous agreement to aggregate the
- 42 amounts owing by each party under all transactions that are

C
O
P
Y



1 outstanding under the previous agreement; and
 2 (2) replaces the amounts owing under the previous agreement
 3 with a single net amount:
 4 (A) resulting from the aggregation under subdivision (1);
 5 and
 6 (B) owing:
 7 (i) by one (1) party; and
 8 (ii) to the other party;
 9 to the previous agreement.
 10 (b) The single net amount described in subsection (a)(2) may be
 11 determined as follows:
 12 (1) In the event of a relevant default (including counterparty
 13 bankruptcy) as specified in the previous agreement, all
 14 transactions of a certain type are netted at:
 15 (A) market value; or
 16 (B) if:
 17 (i) otherwise specified in the contract; or
 18 (ii) market value is impossible to obtain;
 19 an amount equal to the loss suffered by the nondefaulting
 20 party as a result of the default.
 21 (2) Under the new agreement, the parties agree that legal
 22 obligations of the parties to make required payments under at
 23 least one (1) series of related transactions under the previous
 24 agreement are:
 25 (A) canceled; and
 26 (B) replaced by a new legal obligation to make payments
 27 on only the single net amount under the new agreement.
 28 (3) In the event of a cash settled trade, the parties agree that
 29 legal obligations of:
 30 (A) the parties; or
 31 (B) a party and parents or affiliates of a party;
 32 under related or unrelated transactions are canceled and
 33 replaced by the cash settled trade.
 34 Sec. 7. As used in this chapter, "qualified financial contract"
 35 means a commodity contract, forward contract, repurchase
 36 agreement, securities contract, swap agreement, or a similar
 37 agreement, as determined by the commissioner.
 38 Sec. 8. As used in this chapter, "repurchase agreement" has the
 39 meaning set forth in the Federal Deposit Insurance Act (12 U.S.C.
 40 1821).
 41 Sec. 9. As used in this chapter, "securities contract" has the
 42 meaning set forth in the Federal Deposit Insurance Act (12 U.S.C.

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

1821).

Sec. 10. As used in this chapter, "swap agreement" has the meaning set forth in the Federal Deposit Insurance Act (12 U.S.C. 1821).

Sec. 11. As used in this chapter, "walkaway clause" means a provision in a netting agreement or qualified financial contract that, after calculation of the value of a party's position or an amount due to or from a party under the netting agreement or qualified financial contract upon termination, liquidation, or acceleration of the netting agreement or qualified financial contract, either:

- (1) does not create a payment obligation of a party; or
- (2) voids any part of a payment obligation of a party; solely because of the party's status as a nondefaulting party.

Sec. 12. Notwithstanding a provision of IC 27-9-3 or this chapter to the contrary, a person may exercise any of the following:

- (1) A contractual right to cause the termination, liquidation, acceleration, or close-out of obligations in connection with a netting agreement or qualified financial contract with an insurer due to:
 - (A) the insolvency, financial condition, or default of the insurer if the right is enforceable under applicable law other than this chapter; or
 - (B) the commencement of a formal delinquency proceeding under IC 27-9-3.
- (2) A right under:
 - (A) a pledge, security, collateral, reimbursement, guarantee agreement, or similar security agreement; or
 - (B) an arrangement or credit enhancement relating to at least one (1) netting agreement or qualified financial contract.
- (3) A right to set off or net out a termination value, payment amount, or other transfer obligation arising in connection with at least one (1) qualified financial contract in which the counterparty or the counterparty's guarantor is organized under the laws of:
 - (A) the United States; or
 - (B) a state or foreign jurisdiction approved as eligible for netting by the Securities Valuation Office of the NAIC.

Sec. 13. (a) If a counterparty to a netting agreement or qualified financial contract with an insurer that is subject to a proceeding under IC 27-9-3 terminates, liquidates, closes out, or accelerates

C
O
P
Y



1 the netting agreement or qualified financial contract, damages
 2 must be measured as of the date of termination, liquidation,
 3 close-out, or acceleration.

4 (b) The amount of a claim for damages under subsection (a) is
 5 equal to the actual direct compensatory damages calculated in
 6 accordance with section 19 of this chapter.

7 Sec. 14. (a) Notwithstanding a walkaway clause in a netting
 8 agreement or qualified financial contract, upon termination of the
 9 netting agreement or qualified financial contract, any net or
 10 settlement amount owed by a nondefaulting party to an insurer
 11 against which an application or petition has been filed under
 12 IC 27-9-3 must be transferred:

13 (1) to; or

14 (2) according to the order of;

15 the receiver for the insurer, regardless of whether the insurer is the
 16 defaulting party.

17 (b) For purposes of subsection (a), a limited two-way payment
 18 or first method provision in a netting agreement or qualified
 19 financial contract with an insurer that has defaulted is considered
 20 to be a full two-way payment or second method provision as
 21 against the defaulting insurer.

22 Sec. 15. In making a transfer of a netting agreement or qualified
 23 financial contract of an insurer that is subject to a proceeding
 24 under IC 27-9-3, the receiver shall either:

25 (1) transfer to one (1) party, other than an insurer subject to
 26 a proceeding under IC 27-9-3, all netting agreements and
 27 qualified financial contracts between a counterparty or an
 28 affiliate of a counterparty and the insurer that is the subject
 29 of the proceeding, including:

30 (A) all rights and obligations of each party; and

31 (B) all property, including guarantees or credit
 32 enhancements, that secures claims of each party;

33 under each netting agreement and qualified financial
 34 contract; or

35 (2) transfer none of the netting agreements, qualified financial
 36 contracts, rights, obligations, or property referred to in
 37 subdivision (1) with respect to a counterparty or an affiliate
 38 of a counterparty.

39 Sec. 16. If an insurer's receiver makes a transfer of at least one
 40 (1) netting agreement or qualified financial contract under section
 41 14 of this chapter, the receiver shall use the receiver's best efforts
 42 to notify any person that is a party to the netting agreement or

C
O
P
Y



1 qualified financial contract before noon, local time of the receiver,
2 on the business day following the transfer.

3 **Sec. 17.** Notwithstanding IC 27-9-3 and this chapter, a receiver
4 may not avoid a transfer of money or other property arising in
5 connection with:

- 6 (1) a netting agreement or qualified financial contract;
7 (2) a pledge, security, collateral, reimbursement, guarantee
8 agreement, or similar security agreement; or
9 (3) an arrangement or credit enhancement relating to a
10 netting agreement or qualified financial contract;

11 made before the commencement of a formal delinquency
12 proceeding under IC 27-9-3. However, a receiver may avoid a
13 transfer made with actual intent to hinder, delay, or defraud the
14 insurer, the insurer's receiver, or creditors.

15 **Sec. 18.** In exercising a receiver's right of disaffirmance or
16 repudiation with respect to a netting agreement or qualified
17 financial contract to which an insurer is a party, the receiver for
18 the insurer shall either:

- 19 (1) disaffirm or repudiate all netting agreements and qualified
20 financial contracts between a counterparty or an affiliate of
21 a counterparty and the insurer that is the subject of the
22 proceeding; or
23 (2) disaffirm or repudiate none of the netting agreements and
24 qualified financial contracts referred to in subdivision (1) with
25 respect to a counterparty or an affiliate of a counterparty.

26 **Sec. 19. (a)** Notwithstanding IC 27-9-3 and this chapter, a claim
27 of a counterparty against an estate arising from an insurer's
28 receiver's disaffirmance or repudiation of a netting agreement or
29 qualified financial contract that has not been previously affirmed
30 in the liquidation or immediately preceding conservation or
31 rehabilitation case must be determined and allowed or disallowed:

- 32 (1) as if the claim had arisen before the date of the filing of the
33 petition for liquidation; or
34 (2) if a conservation or rehabilitation proceeding is converted
35 to a liquidation proceeding, as if the claim had arisen before
36 the date of the filing of the petition for conservation or
37 rehabilitation.

38 (b) The amount of a claim described in subsection (a) is the
39 actual direct compensatory damages determined as of the date of
40 the disaffirmance or repudiation of the netting agreement or
41 qualified financial contract.

42 **Sec. 20.** All rights of counterparties under this chapter apply to

**C
O
P
Y**



1 netting agreements and qualified financial contracts entered into
2 on behalf of the general account or separate accounts if the assets
3 of each separate account are:

- 4 (1) available only to counterparties to netting agreements and
5 qualified financial contracts; and
- 6 (2) entered into on behalf of the separate account.

7 SECTION 37. IC 27-13-2-10 IS ADDED TO THE INDIANA
8 CODE AS A NEW SECTION TO READ AS FOLLOWS
9 [EFFECTIVE JULY 1, 2011]: **Sec. 10. (a) A domestic health
10 maintenance organization that is admitted to transact business in
11 Indiana shall do the following:**

- 12 (1) If the health maintenance organization is a domestic health
13 maintenance organization admitted to transact business in
14 Indiana after June 30, 2011, comply with IC 27-1-6-21.
- 15 (2) If the health maintenance organization changes the
16 physical location of its home office, provide written notice to
17 the department and all subscribers at least thirty (30) days
18 before the location is changed, including the address and
19 telephone number of the new location.
- 20 (b) A domestic health maintenance organization operating
21 under this article is subject to IC 27-1-7-11.

22 SECTION 38. IC 27-13-34-12 IS AMENDED TO READ AS
23 FOLLOWS [EFFECTIVE JULY 1, 2011]: **Sec. 12. A limited service
24 health maintenance organization operated under this chapter is subject
25 to the following:**

- 26 (1) IC 27-1-36 concerning risk based capital, unless exempted by
27 the commissioner under IC 27-1-36-1.
- 28 (2) **IC 27-13-2-10, concerning physical presence in Indiana.**
- 29 ~~(2)~~ (3) IC 27-13-8, except for IC 27-13-8-2(a)(6) concerning
30 reports.
- 31 ~~(3)~~ (4) IC 27-13-9-3 concerning termination of providers.
- 32 ~~(4)~~ (5) IC 27-13-10-1 through IC 27-13-10-3 concerning
33 grievance procedures.
- 34 ~~(5)~~ (6) IC 27-13-11 concerning investments.
- 35 ~~(6)~~ (7) IC 27-13-15-1(a)(2) through IC 27-13-15-1(a)(3)
36 concerning gag clauses in contracts.
- 37 ~~(7)~~ (8) IC 27-13-21 concerning producers.
- 38 ~~(8)~~ (9) IC 27-13-29 concerning statutory construction and
39 relationship to other laws.
- 40 ~~(9)~~ (10) IC 27-13-30 concerning public records.
- 41 ~~(10)~~ (11) IC 27-13-31 concerning confidentiality of medical
42 information and limitation of liability.

C
o
p
y



1 ~~(11)~~ **(12)** IC 27-13-36-5 and IC 27-13-36-6 concerning referrals
2 to out of network providers and continuation of care.
3 ~~(12)~~ **(13)** IC 27-13-40 concerning comparison sheets of services
4 provided by the limited service health maintenance organization.
5 SECTION 39. IC 27-14-7-9 IS AMENDED TO READ AS
6 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 9. An MIHC may
7 convert to a stock company under ~~IC 27-1-8-13~~ **IC 27-15** as though the
8 MIHC were an MIC.
9 SECTION 40. IC 27-16-2-16 IS ADDED TO THE INDIANA
10 CODE AS A **NEW SECTION** TO READ AS FOLLOWS
11 [EFFECTIVE JULY 1, 2011]: **Sec. 16. "Working capital" means the**
12 **difference between a person's:**
13 **(1) current assets; and**
14 **(2) current liabilities;**
15 **determined in accordance with generally accepted accounting**
16 **principles.**
17 SECTION 41. IC 27-16-4-2, AS ADDED BY P.L.245-2005,
18 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
19 JULY 1, 2011]: Sec. 2. **(a) This section does not apply to an**
20 **applicant for limited registration under section 6 of this chapter.**
21 **(b)** An applicant for registration under this article shall file with the
22 department the following information:
23 (1) The name or names under which the applicant conducts
24 business.
25 (2) The address of the principal place of business of the applicant
26 and the address of each office the applicant maintains in Indiana.
27 (3) The applicant's taxpayer or employer identification number.
28 (4) A list by jurisdiction of each name under which the applicant
29 has operated in the preceding five (5) years, including any
30 alternative names, names of predecessors, and, if known,
31 successor business entities.
32 (5) A statement of ownership that includes the name and evidence
33 of the business experience of any person that, individually or
34 acting in concert with one (1) or more other persons, owns or
35 controls, directly or indirectly, twenty-five percent (25%) or more
36 of the equity interests of the applicant.
37 (6) A statement of management that includes the name and
38 evidence of the business experience of any individual who serves
39 as president, chief executive officer, or otherwise has the
40 authority to act as senior executive officer of the applicant.
41 (7) **Except as provided in subsections (c) and (d),** a financial
42 statement:

C
O
P
Y



1 (A) setting forth the financial condition of the applicant as of
 2 a date not earlier than one hundred eighty (180) days before
 3 the date the financial statement is submitted to the department;
 4 (B) prepared in accordance with generally accepted
 5 accounting principles; and
 6 (C) ~~reviewed~~ **audited** by an:
 7 (i) independent certified public accountant licensed to
 8 practice in the jurisdiction in which the accountant is
 9 located; **or**
 10 (ii) **individual who is certified under IC 25-2.1-3 or**
 11 **IC 25-2.1-4;**
 12 **with a resulting audit report that is issued without**
 13 **qualification as to the status of the applicant as a going**
 14 **concern.**
 15 (c) **If a PEO has less than twelve (12) months of operating**
 16 **history on which to base an audited financial statement, the PEO**
 17 **shall file a financial statement that has been reviewed by an:**
 18 (1) **independent certified public accountant licensed to**
 19 **practice in the jurisdiction in which the accountant is located;**
 20 **or**
 21 (2) **individual who is certified under IC 25-2.1-3 or**
 22 **IC 25-2.1-4.**
 23 (d) **An applicant may apply to the department for an extension**
 24 **of time in which to file the audited financial statement and audit**
 25 **report required by subsection (b). An application under this**
 26 **subsection must be accompanied by a letter from the auditor**
 27 **described in subsection (b) specifying the reason for the requested**
 28 **extension and the anticipated date by which the audit will be**
 29 **completed.**
 30 SECTION 42. IC 27-16-4-6, AS ADDED BY P.L.245-2005,
 31 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 32 JULY 1, 2011]: Sec. 6. (a) A PEO that is not domiciled in Indiana is
 33 eligible for a limited registration under this article if the PEO:
 34 (1) submits a properly executed request for limited registration on
 35 a form prescribed by the department;
 36 (2) is licensed or registered as a professional employer
 37 organization in another state that has licensure or registration
 38 requirements that are:
 39 (A) substantially the same as; or
 40 (B) more restrictive than;
 41 the requirements of this article;
 42 (3) does not:

C
O
P
Y



1 (A) maintain an office; or
 2 (B) directly solicit clients located or domiciled;
 3 in Indiana; and
 4 (4) does not have more than fifty (50) covered employees who are
 5 employed or domiciled in Indiana on any day.
 6 (b) A limited registration is valid for one (1) year and may be
 7 renewed.
 8 (c) A PEO that seeks limited registration under this section shall
 9 provide to the department information and documentation necessary to
 10 show that the PEO ~~qualifies for a limited registration.~~ **meets the**
 11 **requirements of this section.**
 12 (d) ~~IC 27-16-6-1(a)(1)~~ **IC 27-16-6** does not apply to a PEO that
 13 applies for limited registration under this section.
 14 SECTION 43. IC 27-16-4-8, AS ADDED BY P.L.245-2005,
 15 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 16 JULY 1, 2011]: Sec. 8. The department shall:
 17 (1) maintain; **and**
 18 (2) **publish on the department's Internet site;**
 19 a list of PEOs that are registered under this article.
 20 SECTION 44. IC 27-16-6-1, AS ADDED BY P.L.245-2005,
 21 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 22 JULY 1, 2011]: Sec. 1. (a) A PEO **or PEO group** shall ~~maintain either:~~
 23 **do one (1) of the following:**
 24 (1) ~~subject to section 2 of this chapter, a minimum net worth of~~
 25 ~~fifty thousand dollars (\$50,000); or~~
 26 (2) ~~subject to subsection (b), a bond with a market value of at~~
 27 ~~least fifty thousand dollars (\$50,000):~~
 28 (1) **Maintain positive working capital, as reflected in the**
 29 **financial statement submitted to the department by the PEO**
 30 **or PEO group under IC 27-16-4.**
 31 (2) **If the PEO or PEO group does not meet the requirement**
 32 **of subdivision (1), maintain any of the following with a**
 33 **minimum aggregate value in an amount that is at least**
 34 **sufficient to eliminate the PEO's or PEO group's negative**
 35 **working capital plus one hundred thousand dollars**
 36 **(\$100,000):**
 37 (A) **A surety bond.**
 38 (B) **An irrevocable letter of credit.**
 39 (C) **Cash.**
 40 (D) **A combination of items listed in clauses (A) through**
 41 **(C).**
 42 (b) ~~A bond~~ **An instrument or cash** described in subsection (a)(2)

C
o
p
y



1 must be held by a ~~depository~~ **an institution** designated by the
2 department, securing payment by the PEO **or PEO group** of all taxes,
3 wages, benefits, or other entitlement due to or with respect to covered
4 employees in the event that the PEO **or PEO group** does not make the
5 payments when due.

6 SECTION 45. IC 27-16-6-2, AS ADDED BY P.L.245-2005,
7 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
8 JULY 1, 2011]: Sec. 2. ~~A bond~~ **An instrument or cash** described in
9 section 1(a)(2) of this chapter must not be included in the calculation
10 of the ~~minimum net worth~~ **positive working capital** described in
11 section 1(a)(1) of this chapter.

12 SECTION 46. THE FOLLOWING ARE REPEALED [EFFECTIVE
13 JULY 1, 2011]: IC 27-1-25-7.5; IC 27-8-15-2.

14 SECTION 47. [EFFECTIVE JULY 1, 2011] **(a) IC 27-1-15.7-2(a)**
15 **and IC 27-1-15.7-2(e), both as amended by this act, apply to an**
16 **insurance producer license renewal occurring after December 31,**
17 **2011.**

18 **(b) This SECTION expires on December 31, 2013.**

19 SECTION 48. **An emergency is declared for this act.**

C
O
P
Y



COMMITTEE REPORT

Mr. Speaker: Your Committee on Insurance, to which was referred House Bill 1486, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 11, line 24, delete "(a)".

Page 11, line 25, delete ":" and insert "**do all of the following:**".

Page 11, delete lines 26 through 31, begin a new line block indented and insert:

"(1) Comply with IC 27-1-6.

(2) File with the commissioner an affidavit, signed by the limited purpose subsidiary's president, vice president, treasurer, or chief financial officer, including all of the following to the best of the individual's knowledge after reasonable inquiry:

(A) That the proposed organization and operation of the limited purpose subsidiary complies with this chapter.

(B) That the limited purpose subsidiary's investment policy reflects and considers the liquidity of assets and the reasonable preservation, administration, and management of the assets with respect to the risks associated with reinsurance contracts issued by the limited purpose subsidiary.

(C) That the reinsurance contract and any arrangement intended to secure the limited purpose subsidiary's obligations under the reinsurance contract (including an agreement to implement the arrangement) comply with this chapter.

(3) File with the commissioner the opinion of a qualified independent actuary approved by the commissioner that the methodology and assumptions (including significant stress tests of key assumptions) used to establish and discount reserves held by the limited purpose subsidiary are sufficient to provide for the risk assumed by the limited purpose subsidiary.

(4) File with the commissioner the limited purpose subsidiary's plan of operation, including the following:

(A) A statement that the limited purpose subsidiary will, before each offer and sale of securities of or by the limited purpose subsidiary, file with the commissioner, in a form acceptable to the commissioner, a legal opinion that the offering and sale of securities:

**C
O
P
Y**



- (i) of the limited purpose subsidiary complies with all federal securities laws; and
- (ii) by the limited purpose subsidiary complies with all Indiana securities laws.

(B) A complete description of all reinsurance transactions, reinsurance security arrangements, securitizations, and any other material transactions or arrangements of the limited purpose subsidiary.

(C) The source and form of the limited purpose subsidiary's capital and surplus.

(D) The investment policy of the limited purpose subsidiary.

(E) Pro forma balance sheets and income statements that illustrate at least one (1) adverse case scenario, as determined using criteria required by the commissioner, for the performance of the limited purpose subsidiary under all reinsurance contracts.

(F) Risk-based capital requirements, including a requirement that the limited purpose subsidiary must maintain risk-based capital equal to the product of two and one half (2 1/2) and the number determined under the life risk-based capital formula in accordance with the National Association of Insurance Commissioners' risk-based capital instructions.

(G) Notice and reporting of material transactions.

(H) Policies for payment of dividends and other distributions to the organizing domestic life insurance company.

(I) Copies of all contracts between the limited purpose subsidiary and affiliates.

(J) Other documentation or information required by the commissioner.

(5) Obtain from the commissioner a certificate of authority to engage in the business of reinsurance in Indiana.

Sec. 8. (a) The commissioner may issue a certificate of authority to a limited purpose subsidiary upon a finding by the commissioner of all of the following:

- (1) That the proposed plan of operation provides for a viable operation of the limited purpose subsidiary.
- (2) That the terms of all proposed reinsurance contracts and related transactions of the limited purpose subsidiary comply with this chapter and any other applicable insurance laws.

C
O
P
Y



(3) That the proposed plan of operation is not hazardous to any ceding insurer.

(b) The commissioner may, in conjunction with the issuance of a certificate of authority to a limited purpose subsidiary, issue an order containing any terms or conditions applying to the limited purpose subsidiary's authority to engage in the business of reinsurance, including terms or conditions concerning the organization, licensing, or operation of the limited purpose subsidiary, consistent with this chapter and determined necessary by the commissioner."

Page 11, line 32, delete "(b)" and insert "(c)".

Page 11, line 37, delete "14" and insert "15".

Page 11, line 39, delete "(c)" and insert "(d)".

Page 11, line 41, delete "8." and insert "9."

Page 12, line 15, delete "9." and insert "10."

Page 12, line 19, delete "10." and insert "11."

Page 12, line 23, delete "11." and insert "12."

Page 12, line 26, delete "12." and insert "13."

Page 12, delete lines 32 through 37, begin a new paragraph and insert:

"Sec. 14. (a) A limited purpose subsidiary shall do the following:

(1) Provide to the commissioner, not later than forty-five (45) days after the closing date of the transactions of an insurance securitization, a copy of a complete set of executed documentation of the insurance securitization.

(2) Notify the commissioner, not later than two (2) business days after any material change in the financial condition or management of the limited purpose subsidiary, written notice of the material change.

(3) Annually file with the commissioner the actuarial opinion of the limited purpose subsidiary's internal actuary concerning reserves held by the limited purpose subsidiary for all risks assumed by the limited purpose subsidiary under the limited purpose subsidiary's reinsurance contracts.

(4) Biennially file with the commissioner the actuarial opinion:

(A) of a qualified independent actuary approved by the commissioner; and

(B) concerning the methodology and assumptions used by the limited purpose subsidiary in establishing the reserves held by the limited purpose subsidiary.

(5) Annually file with the commissioner a report of the limited

**C
O
P
Y**



purpose subsidiary's risk-based capital level as of the end of the immediately preceding calendar year, including the information required by the risk-based capital instructions of the National Association of Insurance Commissioners.

(6) Immediately notify the commissioner concerning any action by a ceding insurer or other person to foreclose on or otherwise take possession of collateral provided by the limited purpose subsidiary to secure an obligation of the limited purpose subsidiary.

(b) A limited purpose subsidiary may, after approval of the commissioner, discount the reserves held by the limited purpose subsidiary in accordance with an actuarial opinion filed under subsection (a)(3).

(c) Unless otherwise required by the commissioner, a limited purpose subsidiary is not required to file a report, notice, or other document with the National Association of Insurance Commissioners."

Page 12, line 38, delete "14." and insert "15."

Page 13, delete lines 1 through 5.

Page 13, line 6, delete "(5)" and insert "(1)".

Page 13, line 8, delete "(6)" and insert "(2)".

Page 13, line 9, delete "(7)" and insert "(3)".

Page 13, line 10, delete "(8)" and insert "(4)".

Page 13, delete line 12.

Page 13, line 13, delete "(10)" and insert "(5)".

Page 13, line 14, delete "(11)" and insert "(6)".

Page 13, line 15, delete "(12)" and insert "(7)".

Page 44, line 20, after "6(b)(2)" insert "or 6(b)(3)".

Page 46, delete lines 35 through 40, begin a new line block indented and insert:

"(14) An individual who:

(A) does not adjust losses or determine claim payments; and

(B) is employed to use a specialized skill possessed by the individual to make a determination:

(i) concerning an element of a claim; and

(ii) that is used by an independent adjuster, or an adjuster who is directly employed by an insurer, in adjusting a loss or determining a claim payment."

Page 47, delete lines 1 through 23.

Page 62, line 14, delete "JULY 1, 2011]:" and insert "UPON PASSAGE]:".

C
O
P
Y



Page 63, line 7, delete "JULY 1, 2011]:" and insert "UPON PASSAGE]:".

Page 63, line 8, delete "a determination under subsection (b)," and insert "**the considerations required by subsection (b) and ensuring compliance as required by subsection (c),**".

Page 63, line 15, delete "in making a" and insert "**before allowing credit for reinsurance under**".

Page 63, line 16, delete "determination described in".

Page 64, line 5, after "(c)" insert "**The commissioner shall ensure that an assuming insurer or group of assuming insurers has complied with the following before allowing credit for reinsurance under subsection (a):**

(1) **The assuming insurer has submitted to the commissioner, in a form prescribed by the commissioner, a stipulation that the assuming insurer:**

(A) **submits to the jurisdiction of the courts of the United States;**

(B) **appoints an agent for service of process in the United States; and**

(C) **agrees to post one hundred percent (100%) collateral for the assuming insurer's United States liabilities if the assuming insurer resists enforcement of a final judgment of a court of the United States.**

(2) **The assuming insurer has filed with the commissioner, upon application and annually, copies of the following:**

(A) **Audited financial statements, regulatory filings, and actuarial opinions filed with the assuming insurer's domiciliary regulator.**

(B) **A report in a form substantially similar to the applicable National Association of Insurance Commissioners Annual Filing Blank.**

(C) **A report of recoverables that are:**

(i) **in dispute; or**

(ii) **more than ninety (90) days past due.**

(D) **Financial statements of the assuming insurer, the assuming insurer's parent, and affiliated reinsurers.**

(d) **The commissioner shall do the following:**

(1) **On an ongoing basis:**

(A) **evaluate the:**

(i) **regulatory systems of alien jurisdictions; and**

(ii) **rights, benefits, and extent of reciprocal recognition afforded by alien jurisdictions to reinsurers that are**

**C
O
P
Y**



domiciled and licensed in the United States;

(B) determine the appropriate approach to recognizing the regulatory systems of alien jurisdictions described in clause (A); and

(C) publish a list of alien jurisdictions whose reinsurers may be approved by the commissioner as assuming insurers for which credit for reinsurance may be allowed under this chapter.

(2) In determining the alien jurisdictions to be included on the list published under subdivision (1)(C), the commissioner shall consider the following:

(A) Reciprocal treatment by the alien jurisdiction of reinsurers that are domiciled and licensed in the United States.

(B) Solvency procedures involving ceding insurers that are domiciled and licensed in the United States.

(C) Whether the alien jurisdiction adequately and promptly enforces final United States judgments or arbitration awards.

(D) Whether the alien jurisdiction agrees to share information and cooperate with the commissioner with respect to reinsurers that are domiciled and licensed in the alien jurisdiction.

(E) Relevant international standards for mutual recognition of reinsurance regulation.

(3) Consider adoption of recommendations by the National Association of Insurance Commissioners for inclusion on the list published under subdivision (1)(C).

(e) If an assuming insurer or a group of assuming insurers for which credit for reinsurance is allowed under subsection (a) continues throughout the year to pay claims in a timely manner, the assuming insurer or group of assuming insurers is not required to post collateral for the following catastrophe recoverables for one (1) year after the date of the first liability reserve entry by a ceding company resulting from a loss from a defined catastrophe recognized by the commissioner:

- (1) Fire.
- (2) Allied lines.
- (3) Farmowners multiple peril.
- (4) Homeowners multiple peril.
- (5) Commercial multiple peril.
- (6) Inland marine.

C
O
P
Y



(7) Earthquake.

(8) Motor vehicle physical damage.

(f)".

Page 64, line 6, delete "," and insert "**and subject to subsection (g),**".

Page 64, between lines 10 and 11, begin a new paragraph and insert:

"(g) The commissioner may, under subsection (f), reduce the amount of required collateral only if the amount of required collateral remaining is not less than the amount specified in the required collateral column in the following table, based on the financial strength rating that is lowest in the table and applies to the assuming insurer or group of assuming insurers:

	Financial Strength Ratings			
Required Collateral	A.M. Best	Standard and Poor's	Moody's	Fitch Ratings
0%	A++	AAA	Aaa	AAA
10%	A+	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-
20%	A, A-	A+, A, A-	A1, A2, A3	A+, A, A-
75%	B++, B+	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-
100%	B, B-, C++, C+, C, C-, D, E, F	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R	Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C	BB+, BB, BB-, B+, B, B-, CCC+, CC, CCC-, DD".

Page 71, delete lines 33 through 41, begin a new paragraph and insert:

"Sec. 6. (a) As used in this chapter, "netting agreement" means a new agreement that:

(1) allows the parties to a previous agreement to aggregate the amounts owing by each party under all transactions that are outstanding under the previous agreement; and

(2) replaces the amounts owing under the previous agreement with a single net amount:

(A) resulting from the aggregation under subdivision (1); and

(B) owing:

(i) by one (1) party; and

(ii) to the other party;

to the previous agreement.

C
o
p
y



(b) The single net amount described in subsection (a)(2) may be determined as follows:

(1) In the event of a relevant default (including counterparty bankruptcy) as specified in the previous agreement, all transactions of a certain type are netted at:

(A) market value; or

(B) if:

(i) otherwise specified in the contract; or

(ii) market value is impossible to obtain;

an amount equal to the loss suffered by the nondefaulting party as a result of the default.

(2) Under the new agreement, the parties agree that legal obligations of the parties to make required payments under at least one (1) series of related transactions under the previous agreement are:

(A) canceled; and

(B) replaced by a new legal obligation to make payments on only the single net amount under the new agreement.

(3) In the event of a cash settled trade, the parties agree that legal obligations of:

(A) the parties; or

(B) a party and parents or affiliates of a party; under related or unrelated transactions are canceled and replaced by the cash settled trade."

Page 72, delete lines 1 through 5.

Page 73, delete lines 36 through 40.

and when so amended that said bill do pass.

(Reference is to HB 1486 as introduced.)

LEHMAN, Chair

Committee Vote: yeas 10, nays 2.

**C
O
P
Y**

