First Regular Session
Seventy-second General Assembly
STATE OF COLORADO

REENGROSSED

This Version Includes All Amendments Adopted in the House of Introduction

LLS NO. 19-1000.01 Richard Sweetman x4333

HOUSE BILL 19-1291

HOUSE SPONSORSHIP

Arndt, Hansen

SENATE SPONSORSHIP

Williams A. and Tate,

House Committees
Business Affairs & Labor

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE SUPERVISION OF INSURERS, AND, IN CONNECTION**
102 **THEREWITH, ESTABLISHING CERTAIN DISCLOSURE**
103 **REQUIREMENTS FOR INSURERS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov.)

The bill establishes, with amendments, certain model laws of the National Association of Insurance Commissioners, which laws concern corporate governance annual disclosures (CGADs) by insurers and insurance groups (insurers). On June 1, 2020, and on June 1 of each year thereafter, an insurer shall submit to the commissioner of insurance

HOUSE
3rd Reading Unamended
April 16, 2019

HOUSE
Amended 2nd Reading
April 12, 2019

(commissioner) a CGAD that contains sufficient information to provide the commissioner with a clear understanding of the insurer's corporate governance structure, policies, and practices.

The bill establishes confidentiality requirements for the commissioner and any third-party consultants retained by the commissioner.

The bill states that any insurer that fails, without just cause, to timely file a CGAD shall pay, after notice and a hearing, a penalty of $200 for each day's delay. The maximum penalty is $25,000.

The bill allows the commissioner to act as the group-wide supervisor for an internationally active insurance group or to designate or acknowledge another regulatory official as the group-wide supervisor for an internationally active insurance group that:

- Does not have substantial insurance operations in the United States;
- Has substantial insurance operations in the United States, but not in Colorado; or
- Has substantial insurance operations in the United States and in Colorado, but the commissioner has determined pursuant to certain criteria that the other regulatory official is the appropriate group-wide supervisor.

The bill sets forth certain permissible supervisory activities for a group-wide supervisor of an internationally active insurance group.

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

SECTION 1. In Colorado Revised Statutes, **add** part 16 to article 3 of title 10 as follows:

PART 16

CORPORATE GOVERNANCE ANNUAL DISCLOSURES

10-3-1601. Purpose and scope - applicability - legislative declaration. (1) THE PURPOSE OF THIS PART 16 IS TO:

(a) PROVIDE THE COMMISSIONER A SUMMARY OF EACH INSURER'S AND INSURANCE GROUP'S CORPORATE GOVERNANCE STRUCTURE, POLICIES, AND PRACTICES TO PERMIT THE COMMISSIONER TO GAIN AND MAINTAIN AN UNDERSTANDING OF EACH INSURER'S AND INSURANCE GROUP'S CORPORATE GOVERNANCE FRAMEWORK;

(b) OUTLINE THE REQUIREMENTS FOR SUBMITTING A CORPORATE GOVERNANCE ANNUAL DISCLOSURE TO THE COMMISSIONER; AND

(c) PROVIDE FOR THE CONFIDENTIAL TREATMENT OF EACH INSURER'S AND INSURANCE GROUP'S CORPORATE GOVERNANCE ANNUAL DISCLOSURE AND RELATED INFORMATION, WHICH MAY CONTAIN CONFIDENTIAL AND SENSITIVE INFORMATION RELATED TO THE INSURER'S OR INSURANCE GROUP'S INTERNAL OPERATIONS, INCLUDING PROPRIETARY AND TRADE SECRET INFORMATION THE PUBLIC DISCLOSURE OF WHICH COULD POTENTIALLY CAUSE COMPETITIVE HARM OR DISADVANTAGE TO THE INSURER OR INSURANCE GROUP.

(2) (a) NOTHING IN THIS PART 16 MAY BE CONSTRUED TO PRESCRIBE OR IMPOSE CORPORATE GOVERNANCE STANDARDS OR INTERNAL PROCEDURES BEYOND THOSE STANDARDS AND PROCEDURES THAT ARE REQUIRED UNDER APPLICABLE COLORADO CORPORATE LAW.

(b) NOTWITHSTANDING SUBSECTION (2)(a) OF THIS SECTION, NOTHING IN THIS PART 16 MAY BE CONSTRUED TO LIMIT THE COMMISSIONER'S AUTHORITY OR THE RIGHTS OR OBLIGATIONS OF THIRD PARTIES UNDER PART 2 OF ARTICLE 1 OF THIS TITLE 10.

(3) THE REQUIREMENTS OF THIS PART 16 APPLY TO ALL INSURERS DOMICILED IN THIS STATE.

10-3-1602. Definitions. AS USED IN THIS PART 16, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(1) "CORPORATE GOVERNANCE ANNUAL DISCLOSURE" OR "CGAD" MEANS A CONFIDENTIAL REPORT FILED BY AN INSURER OR AN INSURANCE GROUP IN ACCORDANCE WITH THE REQUIREMENTS OF THIS PART 16.

(2) "INSURANCE GROUP" MEANS THOSE INSURERS AND AFFILIATES THAT ARE INCLUDED WITHIN AN INSURANCE HOLDING COMPANY SYSTEM,

AS DEFINED IN SECTION 10-3-801 (5).

(3) "INSURER" HAS THE MEANING SET FORTH IN SECTION 10-3-801 (6); EXCEPT THAT "INSURER" DOES NOT INCLUDE AN AGENCY, AUTHORITY, OR INSTRUMENTALITY OF THE UNITED STATES OR ITS POSSESSIONS AND TERRITORIES, THE COMMONWEALTH OF PUERTO RICO, THE DISTRICT OF COLUMBIA, OR A STATE OR POLITICAL SUBDIVISION OF A STATE.

(4) "NAIC" MEANS THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS.

(5) "ORSA SUMMARY REPORT" HAS THE MEANING SET FORTH IN SECTION 10-3-1502 (5).

10-3-1603. Disclosure requirement. (1) ON JUNE 1, 2020, AND ON JUNE 1 OF EACH YEAR THEREAFTER, AN INSURER, OR THE INSURANCE GROUP OF WHICH THE INSURER IS A MEMBER, SHALL SUBMIT TO THE COMMISSIONER A CGAD THAT CONTAINS THE INFORMATION DESCRIBED IN SECTION 10-3-1604 AND IN SUBSECTION (2) OF THIS SECTION. NOTWITHSTANDING ANY REQUEST FROM THE COMMISSIONER MADE PURSUANT TO SUBSECTION (3) OF THIS SECTION, IF AN INSURER IS A MEMBER OF AN INSURANCE GROUP, THE INSURER SHALL SUBMIT THE REPORT REQUIRED BY THIS SECTION TO THE COMMISSIONER OF THE LEAD STATE FOR THE INSURANCE GROUP, IN ACCORDANCE WITH THE LAWS OF THE LEAD STATE, AS DETERMINED BY THE PROCEDURES OUTLINED IN THE MOST RECENT FINANCIAL ANALYSIS HANDBOOK ADOPTED BY THE NAIC.

(2) THE CGAD MUST INCLUDE THE SIGNATURE OF THE INSURER OR INSURANCE GROUP'S CHIEF EXECUTIVE OFFICER OR CORPORATE SECRETARY ATTESTING THAT, TO THE BEST OF THAT INDIVIDUAL'S BELIEF AND KNOWLEDGE:

(a) THE INSURER OR INSURANCE GROUP HAS IMPLEMENTED THE

1 CORPORATE GOVERNANCE PRACTICES; AND
2 (b) A COPY OF THE DISCLOSURE HAS BEEN PROVIDED TO THE
3 INSURER OR INSURANCE GROUP'S BOARD OF DIRECTORS OR THE
4 APPROPRIATE COMMITTEE THEREOF.
5 (3) AN INSURER OR INSURANCE GROUP THAT IS NOT REQUIRED TO
6 SUBMIT A CGAD UNDER THIS SECTION SHALL DO SO AT THE
7 COMMISSIONER'S REQUEST.
8 (4) (a) FOR PURPOSES OF COMPLETING A CGAD, AN INSURER OR
9 INSURANCE GROUP MAY PROVIDE INFORMATION REGARDING CORPORATE
10 GOVERNANCE AT THE ULTIMATE CONTROLLING PARENT LEVEL, AT AN
11 INTERMEDIATE HOLDING COMPANY LEVEL, OR AT THE INDIVIDUAL LEGAL
12 ENTITY LEVEL, DEPENDING UPON HOW THE INSURER OR INSURANCE GROUP
13 HAS STRUCTURED ITS SYSTEM OF CORPORATE GOVERNANCE. EACH
14 INSURER AND INSURANCE GROUP IS ENCOURAGED TO MAKE ITS CGAD
15 DISCLOSURES AT:
16 (I) THE LEVEL AT WHICH THE INSURER'S OR INSURANCE GROUP'S
17 RISK APPETITE IS DETERMINED;
18 (II) THE LEVEL AT WHICH THE EARNINGS, CAPITAL, LIQUIDITY,
19 OPERATIONS, AND REPUTATION OF THE INSURER OR INSURANCE GROUP ARE
20 OVERSEEN COLLECTIVELY AND AT WHICH THE SUPERVISION OF THESE
21 FACTORS IS COORDINATED AND EXERCISED; OR
22 (III) THE LEVEL AT WHICH LEGAL LIABILITY FOR FAILURE OF
23 GENERAL CORPORATE GOVERNANCE DUTIES WOULD BE PLACED.
24 (b) IF AN INSURER OR INSURANCE GROUP MAKES ITS CGAD
25 DISCLOSURES AT A LEVEL DESCRIBED IN SUBSECTION (4)(a) OF THIS
26 SECTION, THE INSURER OR INSURANCE GROUP SHALL INCLUDE IN THE
27 CGAD AN INDICATION OF WHICH LEVEL AND AN EXPLANATION OF ANY

SUBSEQUENT CHANGE IN THE LEVEL.

(5) THE COMMISSIONER'S REVIEW OF THE CGAD AND ANY ADDITIONAL REQUESTS FOR INFORMATION SHALL BE MADE THROUGH THE LEAD STATE OF THE INSURANCE GROUP, AS DETERMINED BY THE PROCEDURES WITHIN THE MOST RECENT FINANCIAL ANALYSIS HANDBOOK ADOPTED BY THE NAIC.

(6) INSURERS AND INSURANCE GROUPS THAT PROVIDE TO THE COMMISSIONER OTHER DOCUMENTS THAT INCLUDE INFORMATION SUBSTANTIALLY SIMILAR TO THE INFORMATION REQUIRED BY THIS PART 16, INCLUDING PROXY STATEMENTS FILED PURSUANT TO SECTION 10-3-804 AND OTHER STATE OR FEDERAL FILINGS PROVIDED TO THE DIVISION, ARE NOT REQUIRED TO DUPLICATE THAT INFORMATION IN THE CGAD BUT SHALL INCLUDE IN THE CGAD CROSS REFERENCES INDICATING WHICH DOCUMENT OR DOCUMENTS INCLUDE THE INFORMATION.

10-3-1604. Contents of corporate governance annual disclosure - rules. (1) IN RESPONDING TO A REQUEST FOR CGAD-RELATED INFORMATION, AN INSURER OR INSURANCE GROUP MAY EXERCISE ITS DISCRETION SO LONG AS ITS CGAD PROVIDES THE COMMISSIONER SUFFICIENT INFORMATION TO UNDERSTAND THE INSURER'S OR INSURANCE GROUP'S CORPORATE GOVERNANCE STRUCTURE, POLICIES, AND PRACTICES. THE COMMISSIONER MAY REQUEST THAT AN INSURER OR INSURANCE GROUP PROVIDE ADDITIONAL INFORMATION FOR THIS PURPOSE.

(2) NOTWITHSTANDING SUBSECTION (1) OF THIS SECTION, EACH INSURER AND INSURANCE GROUP SHALL PREPARE EACH CGAD IN COMPLIANCE WITH THIS PART 16 AND WITH REQUIREMENTS ESTABLISHED PURSUANT TO RULES PROMULGATED BY THE COMMISSIONER PURSUANT TO SECTION 10-3-1608. EACH INSURER AND INSURANCE GROUP THAT SUBMITS

1 A CGAD SHALL MAINTAIN DOCUMENTATION AND SUPPORTING
2 INFORMATION AND MAKE SUCH DOCUMENTATION AND SUPPORTING
3 INFORMATION AVAILABLE UPON REQUEST OF THE COMMISSIONER.
4 **10-3-1605. Confidentiality.** (1) DOCUMENTS, MATERIALS, AND
5 OTHER INFORMATION, INCLUDING A CGAD, IN THE POSSESSION OR
6 CONTROL OF THE DIVISION THAT ARE OBTAINED BY, CREATED BY, OR
7 DISCLOSED TO THE COMMISSIONER OR ANY OTHER PERSON UNDER THIS
8 PART 16 ARE RECOGNIZED BY THIS STATE AS BEING PROPRIETARY AND TO
9 CONTAIN TRADE SECRETS. ALL SUCH DOCUMENTS, MATERIALS, AND OTHER
10 INFORMATION ARE CONFIDENTIAL BY LAW AND PRIVILEGED, NOT SUBJECT
11 TO THE "COLORADO OPEN RECORDS ACT", PART 2 OF ARTICLE 72 OF TITLE
12 24; NOT SUBJECT TO SUBPOENA; AND NOT SUBJECT TO DISCOVERY OR
13 ADMISSIBLE AS EVIDENCE IN ANY PRIVATE CIVIL ACTION. HOWEVER, THE
14 COMMISSIONER MAY USE THE DOCUMENTS, MATERIALS, OR OTHER
15 INFORMATION IN THE FURTHERANCE OF ANY REGULATORY OR LEGAL
16 ACTION BROUGHT AS A PART OF THE COMMISSIONER'S OFFICIAL DUTIES.
17 THE COMMISSIONER SHALL NOT OTHERWISE MAKE THE DOCUMENTS,
18 MATERIALS, OR OTHER INFORMATION PUBLIC WITHOUT THE PRIOR WRITTEN
19 CONSENT OF THE INSURER OR INSURANCE GROUP. NOTHING IN THIS
20 SECTION MAY BE CONSTRUED TO REQUIRE THE WRITTEN CONSENT OF AN
21 INSURER OR INSURANCE GROUP BEFORE THE COMMISSIONER MAY SHARE
22 OR RECEIVE CONFIDENTIAL DOCUMENTS, MATERIALS, OR OTHER
23 CGAD-RELATED INFORMATION PURSUANT TO SUBSECTION (3) OF THIS
24 SECTION.
25 (2) NEITHER THE COMMISSIONER NOR ANY PERSON WHO RECEIVED
26 DOCUMENTS, MATERIALS, OR OTHER CGAD-RELATED INFORMATION
27 THROUGH EXAMINATION OR OTHERWISE WHILE ACTING UNDER THE

AUTHORITY OF THE COMMISSIONER, OR WITH WHOM SUCH DOCUMENTS, MATERIALS, OR OTHER INFORMATION ARE SHARED PURSUANT TO THIS PART 16, MAY BE PERMITTED OR REQUIRED TO TESTIFY IN ANY PRIVATE CIVIL ACTION CONCERNING ANY CONFIDENTIAL DOCUMENTS, MATERIALS, OR INFORMATION SUBJECT TO SUBSECTION (1) OF THIS SECTION.

(3) IN ORDER TO PERFORM THE COMMISSIONER'S REGULATORY DUTIES, THE COMMISSIONER:

(a) MAY, UPON REQUEST AND SUBJECT TO SUBSECTION (1) OF THIS SECTION, SHARE DOCUMENTS, MATERIALS, AND OTHER CGAD-RELATED INFORMATION, INCLUDING CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS, AND INFORMATION AND PROPRIETARY AND TRADE SECRET DOCUMENTS AND MATERIALS, WITH OTHER STATE, FEDERAL, AND INTERNATIONAL FINANCIAL REGULATORY AGENCIES, INCLUDING MEMBERS OF ANY SUPERVISORY COLLEGE, AS DESCRIBED IN SECTION 10-3-807; THE NAIC; AND THIRD-PARTY CONSULTANTS PURSUANT TO SECTION 10-3-1606 SO LONG AS THE RECIPIENT AGREES IN WRITING TO MAINTAIN THE CONFIDENTIALITY AND PRIVILEGED STATUS OF THE CGAD-RELATED DOCUMENTS, MATERIAL, OR OTHER INFORMATION AND HAS VERIFIED IN WRITING THE LEGAL AUTHORITY TO MAINTAIN CONFIDENTIALITY;

(b) MAY RECEIVE DOCUMENTS, MATERIALS, AND OTHER CGAD-RELATED INFORMATION, INCLUDING CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS, AND INFORMATION AND PROPRIETARY AND TRADE SECRET DOCUMENTS AND MATERIALS, FROM REGULATORY OFFICIALS OF STATE, FEDERAL, AND INTERNATIONAL FINANCIAL REGULATORY AGENCIES, INCLUDING MEMBERS OF ANY SUPERVISORY COLLEGE AS DESCRIBED IN SECTION 10-3-807 AND THE NAIC; AND

1 (c) SHALL MAINTAIN AS CONFIDENTIAL OR PRIVILEGED ANY
2 DOCUMENTS, MATERIALS, OR INFORMATION RECEIVED WITH NOTICE OR
3 THE UNDERSTANDING THAT IT IS CONFIDENTIAL OR PRIVILEGED UNDER THE
4 LAWS OF THE JURISDICTION THAT IS THE SOURCE OF THE DOCUMENT,
5 MATERIAL, OR INFORMATION.
6 (4) THE SHARING OF INFORMATION AND DOCUMENTS BY THE
7 COMMISSIONER PURSUANT TO THIS PART 16 DOES NOT CONSTITUTE A
8 DELEGATION OF REGULATORY AUTHORITY OR RULE-MAKING, AND THE
9 COMMISSIONER IS SOLELY RESPONSIBLE FOR THE ADMINISTRATION,
10 EXECUTION, AND ENFORCEMENT OF THIS PART 16.
11 (5) NO WAIVER OF ANY APPLICABLE PRIVILEGE OR CLAIM OF
12 CONFIDENTIALITY IN THE DOCUMENTS, PROPRIETARY AND TRADE SECRET
13 MATERIALS, OR OTHER CGAD-RELATED INFORMATION OCCURS AS A
14 RESULT OF DISCLOSURE OF THE DOCUMENTS, MATERIALS, OR
15 INFORMATION TO THE COMMISSIONER UNDER THIS SECTION OR AS A
16 RESULT OF SHARING AS AUTHORIZED IN THIS PART 16.
17 **10-3-1606. Retention of third-party consultants - information**
18 **sharing.** (1) THE COMMISSIONER MAY RETAIN, AT THE EXPENSE OF AN
19 INSURER OR INSURANCE GROUP, ONE OR MORE THIRD-PARTY
20 CONSULTANTS, INCLUDING ATTORNEYS, ACTUARIES, ACCOUNTANTS, AND
21 OTHER EXPERTS WHO ARE NOT OTHERWISE MEMBERS OF THE
22 COMMISSIONER'S STAFF, AS MAY BE REASONABLY NECESSARY TO ASSIST
23 THE COMMISSIONER IN REVIEWING THE INSURER'S OR INSURANCE GROUP'S
24 CGAD AND RELATED INFORMATION OR THE INSURER'S OR INSURANCE
25 GROUP'S COMPLIANCE WITH THIS PART 16.
26 (2) ANY PERSONS RETAINED PURSUANT TO SUBSECTION (1) OF THIS
27 SECTION SHALL ACT UNDER THE DIRECTION AND CONTROL OF THE

1 COMMISSIONER AND IN A PURELY ADVISORY CAPACITY.

2 (3) THE NAIC AND THIRD-PARTY CONSULTANTS ARE SUBJECT TO
3 THE SAME CONFIDENTIALITY STANDARDS AND REQUIREMENTS
4 ESTABLISHED FOR THE COMMISSIONER IN SECTION 10-3-1605 AND
5 ELSEWHERE IN THIS PART 16.

6 (4) AS PART OF THE RETENTION PROCESS, A THIRD-PARTY
7 CONSULTANT SHALL VERIFY TO THE COMMISSIONER THAT THE
8 CONSULTANT HAS NO CONFLICT OF INTEREST, HAS INTERNAL PROCEDURES
9 IN PLACE TO PREVENT CONFLICTS OF INTEREST, AND WILL COMPLY WITH
10 THE CONFIDENTIALITY STANDARDS AND REQUIREMENTS OF THIS PART 16.
11 A THIRD-PARTY CONSULTANT SHALL ALSO PROVIDE SUCH VERIFICATION
12 TO THE INSURER OR INSURANCE GROUP WHOSE CGAD THE THIRD-PARTY
13 CONSULTANT WILL REVIEW.

14 (5) A WRITTEN AGREEMENT WITH THE NAIC OR WITH A
15 THIRD-PARTY CONSULTANT THAT GOVERNS SHARING AND USE OF
16 INFORMATION PROVIDED PURSUANT TO THIS PART 16 MUST CONTAIN THE
17 FOLLOWING PROVISIONS AND MUST EXPRESSLY REQUIRE THE WRITTEN
18 CONSENT OF THE INSURER OR INSURANCE GROUP BEFORE ANY SUCH
19 INFORMATION MAY BE PUBLICLY DISCLOSED:

20 (a) SPECIFIC PROCEDURES AND PROTOCOLS FOR MAINTAINING THE
21 CONFIDENTIALITY AND SECURITY OF CGAD-RELATED INFORMATION THAT
22 IS SHARED WITH THE NAIC OR WITH A THIRD-PARTY CONSULTANT
23 PURSUANT TO THIS PART 16;

24 (b) PROCEDURES AND PROTOCOLS FOR SHARING BY THE NAIC
25 ONLY WITH OTHER STATE REGULATORS FROM STATES IN WHICH AN
26 INSURANCE GROUP HAS DOMICILED INSURERS. THE AGREEMENT SHALL
27 PROVIDE THAT THE RECIPIENT AGREES IN WRITING TO MAINTAIN THE

1 CONFIDENTIALITY AND PRIVILEGED STATUS OF THE CGAD-RELATED
2 DOCUMENTS, MATERIALS, OR OTHER INFORMATION AND HAS VERIFIED IN
3 WRITING THE LEGAL AUTHORITY TO MAINTAIN CONFIDENTIALITY.
4 (c) A PROVISION SPECIFYING THAT OWNERSHIP OF THE
5 CGAD-RELATED INFORMATION SHARED WITH THE NAIC OR WITH A
6 THIRD-PARTY CONSULTANT REMAINS WITH THE DIVISION, AND THE NAIC'S
7 OR THIRD-PARTY CONSULTANT'S USE OF THE INFORMATION IS SUBJECT TO
8 THE DIRECTION OF THE COMMISSIONER;
9 (d) A PROVISION THAT PROHIBITS THE NAIC OR THIRD-PARTY
10 CONSULTANT FROM STORING THE INFORMATION SHARED PURSUANT TO
11 THIS PART 16 IN A PERMANENT DATABASE AFTER THE UNDERLYING
12 ANALYSIS IS COMPLETED;
13 (e) A PROVISION REQUIRING THE NAIC OR THIRD-PARTY
14 CONSULTANT TO PROVIDE PROMPT NOTICE TO THE COMMISSIONER AND TO
15 THE INSURER OR INSURANCE GROUP REGARDING ANY SUBPOENA, REQUEST
16 FOR DISCLOSURE, OR REQUEST FOR PRODUCTION OF THE INSURER'S
17 CGAD-RELATED INFORMATION; AND
18 (f) A PROVISION STATING THAT THE NAIC OR THIRD-PARTY
19 CONSULTANT CONSENTS TO INTERVENTION BY AN INSURER OR INSURANCE
20 GROUP IN ANY JUDICIAL OR ADMINISTRATIVE ACTION IN WHICH THE NAIC
21 OR THIRD-PARTY CONSULTANT MAY BE REQUIRED TO DISCLOSE
22 CONFIDENTIAL INFORMATION ABOUT THE INSURER OR INSURANCE GROUP.
23 **10-3-1607. Sanctions.** ANY INSURER OR INSURANCE GROUP THAT
24 FAILS, WITHOUT JUST CAUSE, TO TIMELY FILE A CGAD AS REQUIRED IN
25 THIS PART 16 SHALL PAY, AFTER NOTICE AND A HEARING, A PENALTY OF
26 TWO HUNDRED DOLLARS FOR EACH DAY'S DELAY. THE MAXIMUM PENALTY
27 UNDER THIS SECTION IS TWENTY-FIVE THOUSAND DOLLARS. THE

COMMISSIONER MAY REDUCE THE PENALTY IF THE INSURER OR INSURANCE GROUP DEMONSTRATES TO THE COMMISSIONER THAT THE IMPOSITION OF THE PENALTY WOULD CONSTITUTE A FINANCIAL HARDSHIP TO THE INSURER OR INSURANCE GROUP.

10-3-1608. Rules. THE COMMISSIONER SHALL, UPON NOTICE AND OPPORTUNITY FOR ALL INTERESTED PERSONS TO BE HEARD, ISSUE RULES AND ORDERS TO CARRY OUT THIS PART 16.

SECTION 2. In Colorado Revised Statutes, 10-3-801, **add** (4.5) and (6.5) as follows:

10-3-801. Definitions. As used in this part 8, unless the context otherwise requires:

(4.5) "GROUP-WIDE SUPERVISOR" MEANS A REGULATORY OFFICIAL WHO IS AUTHORIZED TO CONDUCT AND COORDINATE GROUP-WIDE SUPERVISION ACTIVITIES AND WHO IS DESIGNATED OR ACKNOWLEDGED BY THE COMMISSIONER PURSUANT TO SECTION 10-3-807.5.

(6.5) "INTERNATIONALLY ACTIVE INSURANCE GROUP" MEANS AN INSURANCE HOLDING COMPANY SYSTEM THAT:

(a) INCLUDES AN INSURER REGISTERED PURSUANT TO SECTION 10-3-804;

(b) WRITES INSURANCE PREMIUMS IN AT LEAST THREE COUNTRIES;

(c) WRITES INSURANCE PREMIUMS IN COUNTRIES OUTSIDE THE UNITED STATES, WHICH INSURANCE PREMIUMS ACCOUNT FOR AT LEAST TEN PERCENT OF THE INSURANCE HOLDING COMPANY SYSTEM'S TOTAL GROSS WRITTEN PREMIUMS; AND

(d) HAS, BASED ON AN AVERAGE OF THE IMMEDIATELY PRECEDING THREE YEARS, TOTAL ASSETS OF AT LEAST FIFTY BILLION DOLLARS OR TOTAL GROSS WRITTEN PREMIUMS OF AT LEAST TEN BILLION DOLLARS.

1 **SECTION 3.** In Colorado Revised Statutes, **add** 10-3-807.5 as
2 follows:
3 **10-3-807.5. Group-wide supervision of internationally active**
4 **insurance groups - information collection - cooperation - rules.**
5 (1) (a) THE COMMISSIONER MAY ACT AS THE GROUP-WIDE SUPERVISOR
6 FOR ANY INTERNATIONALLY ACTIVE INSURANCE GROUP IN ACCORDANCE
7 WITH THIS SECTION. HOWEVER, THE COMMISSIONER, IN COOPERATION
8 WITH OTHER STATE, FEDERAL, AND INTERNATIONAL REGULATORY
9 AGENCIES, MAY DESIGNATE OR ACKNOWLEDGE ANOTHER REGULATORY
10 OFFICIAL AS THE GROUP-WIDE SUPERVISOR FOR AN INTERNATIONALLY
11 ACTIVE INSURANCE GROUP THAT:
12 (I) DOES NOT HAVE SUBSTANTIAL INSURANCE OPERATIONS IN THE
13 UNITED STATES;
14 (II) HAS SUBSTANTIAL INSURANCE OPERATIONS IN THE UNITED
15 STATES, BUT NOT IN COLORADO; OR
16 (III) HAS SUBSTANTIAL INSURANCE OPERATIONS IN THE UNITED
17 STATES AND IN COLORADO, BUT THE COMMISSIONER HAS DETERMINED
18 PURSUANT TO THE FACTORS SET FORTH IN SUBSECTIONS (2) AND (6) OF
19 THIS SECTION THAT THE OTHER REGULATORY OFFICIAL IS THE
20 APPROPRIATE GROUP-WIDE SUPERVISOR.
21 (b) AN INSURANCE HOLDING COMPANY SYSTEM THAT DOES NOT
22 QUALIFY AS AN INTERNATIONALLY ACTIVE INSURANCE GROUP MAY
23 REQUEST THAT THE COMMISSIONER DESIGNATE OR ACKNOWLEDGE A
24 GROUP-WIDE SUPERVISOR PURSUANT TO THIS SECTION.
25 (2) (a) WHEN DESIGNATING OR ACKNOWLEDGING A GROUP-WIDE
26 SUPERVISOR PURSUANT TO SUBSECTION (1) OF THIS SECTION, THE
27 COMMISSIONER SHALL CONSIDER THE FOLLOWING FACTORS:

1 (I) THE PLACE OF DOMICILE OF THE INSURERS WITHIN THE
2 INTERNATIONALLY ACTIVE INSURANCE GROUP THAT HOLD THE LARGEST
3 SHARE OF THE GROUP'S WRITTEN PREMIUMS, ASSETS, OR LIABILITIES;
4 (II) THE PLACE OF DOMICILE OF THE TOP-TIERED INSURER OR
5 INSURERS IN THE INSURANCE HOLDING COMPANY SYSTEM OF THE
6 INTERNATIONALLY ACTIVE INSURANCE GROUP;
7 (III) THE LOCATION OF THE EXECUTIVE OFFICES OR THE LARGEST
8 OPERATIONAL OFFICES OF THE INTERNATIONALLY ACTIVE INSURANCE
9 GROUP;
10 (IV) WHETHER ANOTHER REGULATORY OFFICIAL IS ACTING OR IS
11 SEEKING TO ACT AS THE GROUP-WIDE SUPERVISOR UNDER A REGULATORY
12 SYSTEM THAT THE COMMISSIONER DETERMINES TO BE:
13 (A) SUBSTANTIALLY SIMILAR TO THE SYSTEM OF REGULATION
14 PROVIDED UNDER THE LAWS OF THIS STATE; OR
15 (B) OTHERWISE SUFFICIENT IN TERMS OF PROVIDING FOR
16 GROUP-WIDE SUPERVISION, ENTERPRISE RISK ANALYSIS, AND
17 COOPERATION WITH OTHER REGULATORY OFFICIALS; AND
18 (V) WHETHER ANOTHER REGULATORY OFFICIAL ACTING OR
19 SEEKING TO ACT AS THE GROUP-WIDE SUPERVISOR PROVIDES THE
20 COMMISSIONER WITH REASONABLY RECIPROCAL RECOGNITION AND
21 COOPERATION.
22 (b) THE COMMISSIONER SHALL DESIGNATE A REGULATORY
23 OFFICIAL OTHER THAN THE COMMISSIONER TO SERVE AS THE GROUP-WIDE
24 SUPERVISOR OF AN INTERNATIONALLY ACTIVE INSURANCE GROUP ONLY:
25 (I) AFTER CONSIDERATION OF THE FACTORS LISTED IN SUBSECTION
26 (2)(a) OF THIS SECTION;
27 (II) IN COOPERATION WITH AND SUBJECT TO THE

1 ACKNOWLEDGMENT OF OTHER REGULATORY OFFICIALS INVOLVED WITH
2 SUPERVISION OF MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE
3 GROUP; AND
4 (III) IN CONSULTATION WITH THE INTERNATIONALLY ACTIVE
5 INSURANCE GROUP.
6 (3) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, WHEN
7 ANOTHER REGULATORY OFFICIAL IS ACTING AS THE GROUP-WIDE
8 SUPERVISOR OF AN INTERNATIONALLY ACTIVE INSURANCE GROUP, THE
9 COMMISSIONER SHALL ACKNOWLEDGE THAT REGULATORY OFFICIAL AS
10 THE GROUP-WIDE SUPERVISOR. HOWEVER, THE COMMISSIONER SHALL
11 MAKE A NEW DESIGNATION OR ACKNOWLEDGMENT AS TO THE
12 APPROPRIATE GROUP-WIDE SUPERVISOR FOR THE INTERNATIONALLY
13 ACTIVE INSURANCE GROUP IN THE EVENT OF A MATERIAL CHANGE THAT
14 RESULTS IN:
15 (a) THE INTERNATIONALLY ACTIVE INSURANCE GROUP'S INSURERS
16 DOMICILED IN THIS STATE HOLDING THE LARGEST SHARE OF THE GROUP'S
17 PREMIUMS, ASSETS, OR LIABILITIES; OR
18 (b) THIS STATE BEING THE PLACE OF DOMICILE OF THE TOP-TIERED
19 INSURER OR INSURERS IN THE INSURANCE HOLDING COMPANY SYSTEM OF
20 THE INTERNATIONALLY ACTIVE INSURANCE GROUP.
21 (4) PURSUANT TO SECTION 10-3-806, THE COMMISSIONER MAY
22 COLLECT FROM ANY INSURER REGISTERED PURSUANT TO SECTION 10-3-804
23 ALL INFORMATION NECESSARY TO DETERMINE WHETHER THE
24 COMMISSIONER MAY ACT AS THE GROUP-WIDE SUPERVISOR OF AN
25 INTERNATIONALLY ACTIVE INSURANCE GROUP OR ACKNOWLEDGE
26 ANOTHER REGULATORY OFFICIAL TO ACT AS THE GROUP-WIDE
27 SUPERVISOR. PRIOR TO ISSUING A DETERMINATION THAT AN

INTERNATIONALLY ACTIVE INSURANCE GROUP IS SUBJECT TO GROUP-WIDE SUPERVISION BY THE COMMISSIONER, THE COMMISSIONER SHALL NOTIFY THE INSURER AND THE ULTIMATE CONTROLLING PERSON WITHIN THE INTERNATIONALLY ACTIVE INSURANCE GROUP OF THE PENDING DETERMINATION. AFTER RECEIVING SUCH NOTICE, THE INTERNATIONALLY ACTIVE INSURANCE GROUP HAS THIRTY DAYS TO PROVIDE THE COMMISSIONER WITH ADDITIONAL INFORMATION PERTINENT TO THE PENDING DETERMINATION. THE COMMISSIONER SHALL PUBLISH IN THE COLORADO REGISTER AND ON THE DIVISION'S WEBSITE THE IDENTITY OF INTERNATIONALLY ACTIVE INSURANCE GROUPS THAT THE COMMISSIONER HAS DETERMINED ARE SUBJECT TO GROUP-WIDE SUPERVISION BY THE COMMISSIONER.

(5) IF THE COMMISSIONER IS THE GROUP-WIDE SUPERVISOR FOR AN INTERNATIONALLY ACTIVE INSURANCE GROUP, THE COMMISSIONER MAY ENGAGE IN ANY OF THE FOLLOWING GROUP-WIDE SUPERVISION ACTIVITIES:

(a) ASSESS THE ENTERPRISE RISKS WITHIN THE INTERNATIONALLY ACTIVE INSURANCE GROUP TO ENSURE THAT:

(I) THE MATERIAL FINANCIAL CONDITION AND LIQUIDITY RISKS TO THE MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP THAT ARE ENGAGED IN THE BUSINESS OF INSURANCE ARE IDENTIFIED BY MANAGEMENT; AND

(II) REASONABLE AND EFFECTIVE MITIGATION MEASURES ARE IN PLACE;

(b) REQUEST, FROM ANY MEMBER OF AN INTERNATIONALLY ACTIVE INSURANCE GROUP SUBJECT TO THE COMMISSIONER'S SUPERVISION, INFORMATION NECESSARY AND APPROPRIATE TO ASSESS ENTERPRISE RISK, INCLUDING INFORMATION ABOUT THE MEMBERS OF THE INTERNATIONALLY

1 ACTIVE INSURANCE GROUP REGARDING:
2 (I) GOVERNANCE, RISK ASSESSMENT, AND MANAGEMENT;
3 (II) CAPITAL ADEQUACY; AND
4 (III) MATERIAL INTERCOMPANY TRANSACTIONS;
5 (c) COORDINATE AND, THROUGH THE AUTHORITY OF THE
6 REGULATORY OFFICIALS OF THE JURISDICTIONS WHERE MEMBERS OF THE
7 INTERNATIONALLY ACTIVE INSURANCE GROUP ARE DOMICILED, COMPEL
8 DEVELOPMENT AND IMPLEMENTATION OF REASONABLE MEASURES
9 DESIGNED TO ENSURE THAT THE INTERNATIONALLY ACTIVE INSURANCE
10 GROUP IS ABLE TO TIMELY RECOGNIZE AND MITIGATE ENTERPRISE RISKS TO
11 MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP THAT ARE
12 ENGAGED IN THE BUSINESS OF INSURANCE;
13 (d) COMMUNICATE WITH OTHER STATE, FEDERAL, AND
14 INTERNATIONAL REGULATORY AGENCIES FOR MEMBERS WITHIN THE
15 INTERNATIONALLY ACTIVE INSURANCE GROUP AND SHARE RELEVANT
16 INFORMATION, SUBJECT TO THE CONFIDENTIALITY PROVISIONS OF SECTION
17 10-3-808, WHETHER THROUGH SUPERVISORY COLLEGES AS SET FORTH IN
18 SECTION 10-3-807 OR OTHERWISE;
19 (e) ENTER INTO AGREEMENTS WITH OR OBTAIN DOCUMENTATION
20 FROM ANY INSURER REGISTERED UNDER SECTION 10-3-804, ANY MEMBER
21 OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP, AND ANY OTHER
22 STATE, FEDERAL, OR INTERNATIONAL REGULATORY AGENCIES FOR
23 MEMBERS OF THE INTERNATIONALLY ACTIVE INSURANCE GROUP,
24 PROVIDING THE BASIS FOR OR OTHERWISE CLARIFYING THE
25 COMMISSIONER'S ROLE AS GROUP-WIDE SUPERVISOR, INCLUDING
26 PROVISIONS FOR RESOLVING DISPUTES WITH OTHER REGULATORY
27 OFFICIALS. SUCH AGREEMENTS OR DOCUMENTATION MAY NOT SERVE AS

1 EVIDENCE IN ANY PROCEEDING THAT AN INSURER OR A PERSON WITHIN AN
2 INSURANCE HOLDING COMPANY SYSTEM, WHICH INSURER OR PERSON IS
3 NOT DOMICILED OR INCORPORATED IN THIS STATE, IS DOING BUSINESS IN
4 THIS STATE OR IS OTHERWISE SUBJECT TO JURISDICTION IN THIS STATE.
5 (f) OTHER GROUP-WIDE SUPERVISION ACTIVITIES, CONSISTENT
6 WITH THE AUTHORITIES AND PURPOSES DESCRIBED IN THIS SUBSECTION (5),
7 AS THE COMMISSIONER CONSIDERS NECESSARY.
8 (6) IF THE COMMISSIONER ACKNOWLEDGES THAT ANOTHER
9 REGULATORY OFFICIAL FROM A JURISDICTION THAT IS NOT ACCREDITED BY
10 THE NAIC IS THE GROUP-WIDE SUPERVISOR, THE COMMISSIONER MAY
11 REASONABLY COOPERATE, THROUGH SUPERVISORY COLLEGES OR
12 OTHERWISE, WITH GROUP-WIDE SUPERVISION UNDERTAKEN BY THE
13 GROUP-WIDE SUPERVISOR, SO LONG AS:
14 (a) THE COMMISSIONER'S COOPERATION IS IN COMPLIANCE WITH
15 THE LAWS OF THIS STATE; AND
16 (b) THE REGULATORY OFFICIAL ACKNOWLEDGED AS THE
17 GROUP-WIDE SUPERVISOR ALSO RECOGNIZES AND COOPERATES WITH THE
18 COMMISSIONER'S ACTIVITIES AS A GROUP-WIDE SUPERVISOR FOR OTHER
19 INTERNATIONALLY ACTIVE INSURANCE GROUPS WHERE APPLICABLE.
20 WHERE SUCH RECOGNITION AND COOPERATION IS NOT REASONABLY
21 RECIPROCAL, THE COMMISSIONER MAY REFUSE RECOGNITION AND
22 COOPERATION.
23 (7) THE COMMISSIONER MAY ENTER INTO AGREEMENTS WITH OR
24 OBTAIN DOCUMENTATION FROM ANY INSURER REGISTERED UNDER
25 SECTION 10-3-804 , ANY AFFILIATE OF THE INSURER, OR ANY OTHER STATE,
26 FEDERAL, OR INTERNATIONAL REGULATORY AGENCY FOR MEMBERS OF THE
27 INTERNATIONALLY ACTIVE INSURANCE GROUP, WHICH AGENCY PROVIDES

THE BASIS FOR OR OTHERWISE CLARIFIES A REGULATORY OFFICIAL'S ROLE AS GROUP-WIDE SUPERVISOR.

(8) THE COMMISSIONER MAY PROMULGATE RULES NECESSARY FOR THE ADMINISTRATION OF THIS SECTION.

(9) A REGISTERED INSURER SUBJECT TO THIS SECTION IS LIABLE FOR AND SHALL PAY THE REASONABLE EXPENSES OF THE COMMISSIONER'S PARTICIPATION IN THE ADMINISTRATION OF THIS SECTION, INCLUDING THE ENGAGEMENT OF ATTORNEYS, ACTUARIES, AND ANY OTHER PROFESSIONALS AND ALL REASONABLE TRAVEL EXPENSES.

SECTION 4. In Colorado Revised Statutes, 10-16-302, **amend** (1) as follows:

10-16-302. Incorporation and organization - exemptions. (1) Any nonprofit corporation organized under the laws of ~~the state of~~ Colorado for the purpose of establishing, maintaining, and operating a nonprofit plan whereby prepaid hospital care, medical-surgical care, and other health services are made available to persons who become subscribers to ~~such~~ THE plan under a contract with the corporation, or for the purpose of providing long-term care insurance to persons pursuant to a contract with the corporation ~~shall be~~ ARE subject to and governed by ~~the provisions of~~ part 1 of this ~~article~~ ARTICLE 16 and this part 3 and, except as provided in this ~~article~~ ARTICLE 16 and elsewhere in this ~~title, shall~~ TITLE 10, ARE not ~~be~~ subject to the laws of this state relating to insurance or insurance companies. The provisions of section 10-3-128; articles 1 and 2 of this ~~title~~ TITLE 10; and parts 4, 5, 7, 8, 11, ~~and~~ 12, AND 16 of article 3 of this ~~title~~ TITLE 10, to the extent applicable, ~~shall~~ govern corporations organized pursuant to ~~the provisions of~~ this part 3.

SECTION 5. In Colorado Revised Statutes, 10-16-412, **amend**

1 (3)(a)(IV) as follows:

2 **10-16-412. Statutory deposit.** (3) Health maintenance
3 organizations shall establish and maintain the following minimum
4 deposits:

5 (a) The following schedule, based upon enrollment levels
6 achieved on December 31 of the preceding year:

7 (IV) $300,000: Enrollment of ~~not~~ less than 60,000;

8 **SECTION 6. Act subject to petition - effective date.** This act
9 takes effect at 12:01 a.m. on the day following the expiration of the
10 ninety-day period after final adjournment of the general assembly (August
11 2, 2019, if adjournment sine die is on May 3, 2019); except that, if a
12 referendum petition is filed pursuant to section 1 (3) of article V of the
13 state constitution against this act or an item, section, or part of this act
14 within such period, then the act, item, section, or part will not take effect
15 unless approved by the people at the general election to be held in
16 November 2020 and, in such case, will take effect on the date of the
17 official declaration of the vote thereon by the governor.