

MINUTES
HOUSE BUSINESS COMMITTEE

DATE: Monday, January 13, 2014

TIME: 1:30 P.M.

PLACE: Room EW41

MEMBERS: Chairman Henderson (Chambers), Vice Chairman Thompson, Representatives Collins, Crane, Palmer, Barbieri, Batt, Agidius, Clow, Hixon, Kauffman, Monks, Morse, Stevenson, Youngblood, Smith, Rusche, Gannon

**ABSENT/
EXCUSED:** None.

GUESTS: Bill Roder, Delta Dental; Peter Rockwell, Architect; Tony Smith, Benton Ellis; Bill Deal, Idaho Department of Insurance; Tom Donovan, Idaho Department of Insurance

Vice Chairman Thompson called the meeting to order at 1:30 p.m.

RS 22420C1: **Tom Donovan**, Department of Insurance presented **RS 22420C1**. He said this amends Section 41-5401 of the Idaho Code to add and revise definitions of "foreign insurer", "insurer", "health organization", "life and/or health insurer" and to include "fraternal benefit societies" and "health organizations" in the Risk Based Capital requirements. He explained Risk Based Capital (RBC) requirements adopted by the National Association of Insurance Commissioners (NAIC), as these requirements now extend to the previously defined health organization and fraternal benefit societies. He clarified that the Patient Protection and Affordable Care Act exempts Health Care Sharing Ministries from compliance. He said insurance companies currently operating in Idaho would not find the new RBC level 3.0 to be an undue burden as they all currently exceed this level.

He said capital adequacy standards are tailored to the amount of risk a company undertakes whereby a hypothetical formula for capital is compared against the actual capital each company maintains. He said maintaining a 3.0 Risk Based Capital level is a prudent solvency measure to identify early warning signs for insurance companies who may be struggling.

He said the Idaho Department of Insurance maintains accreditation with NAIC and some key benefits of compliance with NAIC regulations are uniformity among insurance carriers and reciprocity between carriers in multiple states.

Mr. Donovan said expanding the RBC requirements to fraternal organizations and health organizations has nothing to do with the Affordable Care Act. He said it applies to licensed health insurance companies and the model law predates the Affordable Care Act. He added that the RBC level is raised from a factor of 2.5 to 3.0 and that current Idaho based insurers maintain levels exceeding 3.0.

He explained language changes that clarify confidential treatment of RBC reports. He said companies now file on health insurance forms as opposed to the life insurance forms previously used. He said such filings are privileged, not subject to subpoena, and the Director of Idaho Department of Insurance can't be compelled to testify as to the contents of the confidential reports in a civil action. He said that the Director may share this information with NAIC. He added an effective date of January 1, 2015.

In response to questions from the Committee, **Mr. Donovan** said managed care organizations are required to be licensed as insurers and capitated payments become subject to the scope of Section 41-3401. He said the definition of fraternal benefit society is given in a prior section as an incorporated society, order or supreme lodge, not for profit, operated on a lodge system and gave as examples Modern Woodsman and Knights of Columbus organizations. He said that the additions of the term "health organization" will not have a negative impact on the two Idaho licensees Vision Services Plan and Delta Dental of Idaho, Incorporated, one of which already complies with reporting regulations on a voluntary basis. He said raising the RBC level from 2.5 to 3.0 would not impact the companies presently in Idaho as each company maintains a number exceeding that minimum level. He explained confidentiality language is necessary in order to comply with new model updates from NAIC. He said the insurance company reports are confidential but this information can be shared with NAIC insurance regulators. He clarified that NAIC model law allows criminal disclosure and enforcement actions. He said there are at least twenty fraternal benefits societies in Idaho but none of them are domesticated in Idaho.

Mr. Donovan explained that failure to pass this legislation would place Idaho at risk for losing accreditation with NAIC. This could then subject Idaho insurance carriers to additional examinations by other states. He said adding fraternal benefit societies is necessary as they have limited avenues to increase wealth such as mergers or raising stock or public offerings. He said raising the RBC standard from 2.5 to 3.0. advances an early warning trigger for identifying companies in a downward economic trend.

MOTION: **Rep. Rusche** made a motion to introduce **RS 22420C1**. **Motion carried by voice vote.** **Reps. Barbieri** and **Crane** requested that they be recorded as voting **NAY**.

RS 22371: **Roger Hales**, Bureau of Occupational Licenses, presented **RS 22371**. He said this eliminates the requirement that Idaho Driving Business Board Members have been in the driving business for at least five (5) years and allows for licensed driving instructors to also serve on the Board. He said no opposition has been expressed from member businesses. He said the emergency clause allows for the changes in statute to take effect immediately as the date of July, 2010 has been stricken from Section 54-5406 (2) regarding new applicants' completion of a board approved training program. He clarified that the Board will then be able to license someone prior to July 3.

In response to questions from the committee, **Mr. Hales** confirmed that the Board originated in 2010. He explained that the Board does not issue blanket reciprocity to applicants with out of state licenses as it reserves the allowance for discretion. He said the Board evaluates the training of the out-of-state applicant and makes an informed decision when compared to the Idaho standard education of sixty (60) hours in the classroom and one-hundred eight (108) hours behind the wheel.

MOTION: **Rep. Hixon** a motion to introduce **RS 22371**. **Motion carried by voice vote.** **Rep. Barbieri** requested that he be recorded as voting **NAY**.

RS 22384: **Roger Hales**, Bureau of Occupational Licenses presented **RS 22384** relating to architect apprenticeship requirements by eliminating the three year apprenticeship. As architectural internship is a nationally administered requirement based upon accredited education, the three year period is no longer used. He explained the two added grounds for discipline by the Board of Architectural Examiners in Section 54-305 (J), and (K). He said it is essential that the Idaho Board be able to discipline an Idaho architect no matter which state the violation may have occurred and give provisions in the event an architect fails to comply with a Board order .

He said Section 54-307 (3) is stricken in its entirety as the Board only licenses individuals and not corporations. He said Section 54-308 is revised to clarify the use on an architect's electronic seal. Mr. Hales said these proposed changes have been posted on the Idaho Board of Architectural Examiners website since October of 2013 and submitted to the Idaho Board of Professional Engineers. He said two comments were received with no other concerns expressed. In response to questions from the Committee, **Mr. Hales** clarified that the term foreign partnership or firm means out-of- state partnership or firm.

MOTION: **Rep. Morse** made a motion to introduce **RS 22384. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:32 p.m.

Representative Thompson
Chair

Catherine Costner
Secretary