



ACT 41 OF 2018 (P.L. 273)

**ANNUAL EXAMINATION AND
ANALYSIS REPORT**

Fiscal Year July 1, 2020 – June 30, 2021

**ANNUAL EXAMINATION AND ANALYSIS REPORT
ANALYSIS OF EFFECTIVENESS
2020 - 2021**

This report is published pursuant to the requirements of Act 41 of 2018. The purpose of Act 41 of 2018 is to provide an effective and efficient system for examining the activities, operations, financial condition, and affairs of all persons transacting the business of insurance in this Commonwealth and all other persons subject to the jurisdiction of the Pennsylvania Insurance Department (“Department”). The provisions of Act 41 of 2018 enable the Department to adopt a flexible system of examinations which directs resources as may be deemed appropriate and necessary for the administration of the insurance and insurance-related laws of this Commonwealth.¹

The Department is committed to work with the insurance industry to utilize the most efficient means to conduct examinations, minimize costs, facilitate cooperation and communication between insurers and the Department, and to increase transparency and efficiencies to the greatest extent possible. As part of that commitment, within thirty days of the end of each fiscal year, the Department publishes an annual examination and analysis report setting forth the total amount of money billed to companies by the Department and its contractors retained in each of the following categories: financial examinations; market conduct examinations; examinations conducted under section 1406 of the act of May 17, 1921 (known as The Insurance Company Law of 1921); the review of certain transactions; the solvency monitoring of companies; and the retention of third-party consultants.² The annual examination and analysis report lists the identity of each contractor retained by the Department and the amount of money billed by the contractor to companies; discloses the total amount of deposits into the Insurance Regulation and Oversight Fund (“IROF”) as a result of financial and market regulation activities for which regulated entities are responsible to pay; and includes an analysis of the effectiveness of the procedures under the Act and recommendations to further improve the efficiency and transparency of the examination processes.³

In all respects, transparency, efficiency, and effectiveness are at the forefront of the Department’s examination process. Before examinations begin, the Department holds scheduling conferences and presents estimated budgets to the examined companies in order to provide them with transparent expectations on what to expect in the upcoming examination. Because of this process, companies and the Department were able to agree in pre-examination discussions that the Department’s proposed course of action was indeed the most effective. The Department is continuously aware of the need for transparency in examinations and continues to work to improve effectiveness with each subsequent exam.

¹ 40 P.S. § 323.1.

² 40 P.S. § 323.5a(a).

³ 40 P.S. § 323.5a(b).

Act 41 of 2018 (P.L. 273) Annual Examination

Report⁴

Fiscal Year July 1, 2020 – June 30, 2021

FINANCIAL EXAMINATIONS⁵:

	<u>BILLED</u>	<u>DEPOSIT INTO IROF⁶</u>
Pennsylvania Insurance Department	\$4,809,098.60	\$5,035,632.18

THIRD-PARTY CONTRACTORS:

Actuarial & Technical Solutions, Inc.	\$19,184.50	\$0.00
Baker Tilly Virchow Krause LLP	\$129,218.05	\$0.00
Carr Riggs & Ingram, LLC	\$11,392.00	\$0.00

⁴ Costs reported for regulatory activities described under section 905.1 (a) (1) and (2) for examinations commencing 8.21.2018 and forward, as designated in the statute.

⁵ Per section 904.

⁶ The amount of monies *deposited* into IROF during the reporting year differs from the amount billed to companies because companies typically pay invoices up to thirty (30) days after invoices are received.

Cerebres	\$57,953.50	\$0.00
Eide Bailly LLP	\$222,460.00	\$0.00
INS Regulatory Insurance Services, Inc. (InsRis)	\$2,124,460.04	\$0.00
Jennan Enterprises, LLC	\$1,620.00	\$0.00
Johnson Lambert	\$212,958.68	\$0.00
Kufer Consulting, Inc.	\$225.00	\$0.00
Lewis & Ellis, Inc.	\$728,048.53	\$0.00
Merlinos & Associates, Inc.	\$167,277.25	\$0.00
National Actuarial Network, Inc. (NAN)	\$4,860.00	\$0.00
Noble Consulting Services, Inc.	\$27,827.00	\$0.00

Oliver Wyman	\$295,163.07	\$0.00
Risk & Regulatory Consulting, LLC	\$2,332,108.86	\$0.00
Select Actuarial Services	\$730.00	\$0.00
Taylor-Walker Consulting, Inc.	\$1,912.50	\$0.00
The Thomas Consulting Group, Inc.	\$27,776.00	\$0.00

MARKET CONDUCT EXAMINATIONS⁷:

	<u>BILLED</u>	<u>DEPOSIT INTO IROF⁸</u>
Pennsylvania Insurance Department	\$1,056,114.70	\$ 1,040,531.01

THIRD-PARTY CONTRACTORS:

Risk & Regulatory Consulting, LLC	\$297,701.10	\$0.00
Regulatory Insurance Advisers, LLC.	\$63,187.00	\$0.00
Examination Resources, LLC.	\$124,992.00	\$0.00

⁷ Per section 904

⁸ The amount of monies *deposited* into IROF during the reporting year differs from the amount billed to companies because companies typically pay invoices up to thirty (30) days after invoices are received.

Act 41 of 2018 (P.L. 273) Annual Analysis Report⁹
Fiscal Year July 1, 2020 – June 30, 2021

<u>THIRD-PARTY CONSULTANTS</u>	<u>BILLED</u>
Baker Tilly Virchow Krause LLP	\$133,825.00
Blank Rome LLP	\$474,369.00
Risk & Regulatory Consulting, LLC	\$53,929.25

⁹ Costs reported for regulatory activities described under section 905.1 (a) (3) (4) and (5) for the immediately prior fiscal year (7.1.2020 – 6.30.2021).