

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 350 (First Edition)

SHORT TITLE: Gramm-Leach-Bliley Act Requirements-AB

SPONSOR(S): Representatives Hurley and Dockham

FISCAL IMPACT

Yes () No (X) No Estimate Available ()

FY 2001-02 FY 2002-03 FY 2003-04 FY 2004-05 FY 2005-06

REVENUES

EXPENDITURES

No Fiscal Impact

POSITIONS:

PRINCIPAL DEPARTMENT(S) & Department of Insurance

PROGRAM(S) AFFECTED:

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: (adopted from Bill Digest)

This bill authorizes the Commissioner of Insurance to share with the federal and state financial institution regulators information about insurance companies that are affiliates of depository institutions or of financial holding companies. It amends the insurance holding company act and an insurance company investment statute to comply with federal law, in accordance with the federal Gramm-Leach-Bliley Act, Public Law 106-102.

ASSUMPTIONS AND METHODOLOGY:

Section 1 of the bill authorizes the Commissioner of Insurance to share information with federal and state financial institution regulators about insurance companies that are affiliates of depository institutions or of financial holding companies. This provision complies with Section 307 of the Gramm-Leach-Bliley Act.

Section 2 of the bill adds a new section to Article 19 of Chapter 58, the Holding Company System Regulatory Act, which states that the provisions contained in this Article are subject to section 104(c) of the Gramm-Leach-Bliley Act and, therefore, it conforms to federal requirements. Section 104 of the Gramm-Leach-Bliley Act prohibits, with some exceptions, states from preventing or restricting a depository institution, or an affiliate thereof, from being affiliated directly or indirectly or associated with any person.

Section 3 of the bill limits the extent to which insurers may invest in the voting securities of a depository institution. The investments may not exceed 5% of the insurer's admitted assets. Since the 5% limitation is permissive for states, this provision is neither inconsistent nor required by the Gramm-Leach-Bliley Act. Title III, Subtitle A, Section 306 of the Gramm-Leach-Bliley Act prohibits a state from limiting the amount of an insurer's assets that may be invested in the voting securities of a depository institution, except that a state may limit the amount of investment to no more than 5% of the insurer's admitted assets. This 5% limitation is permissive and, therefore, is not mandated by the Act.

The Department of Insurance estimates that the implementation of Section 1 of the bill, which authorizes the Department to share information with federal and state financial institution regulators, and sections 2 and 3, which implement requirements of Gramm-Leach-Bliley Act, as discussed above, will require no additional resources.

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