



# InsurTech's Old Kentucky Home: How HB 386 Brings Insurance Innovation to Kentucky

**Kentucky Department of Insurance**

**Patrick O'Connor II, Deputy Commissioner of Policy**

# A Commonwealth State of Mind

- Kentucky
  - Population of 4.4 million people
  - Geographically diverse
  - 4 Major Metropolitan Areas/Centers
- Historically Known For:
  - Coal
  - Thoroughbred Horse Racing
  - Bourbon
- Transformation and Growth Since 2016:
  - Nearly 40,000 new manufacturing, service, and technology jobs have located in Kentucky.
  - Over \$15 Billion in new business investments.
- Kentucky Rankings
  - #1 in U.S. in vehicle production per capita
  - #2 in U.S. in employment in motor vehicle manufacturing
  - #2 in U.S. in aerospace related exports
  - #4 in U.S. in vehicle production overall
  - #8 in U.S. among top business climates
- Public and private universities educating top tier workforce hungry for opportunity.
- Expanding and evolving economy ripe for new sector innovation and investment.



# Goals

- Flexibility
  - Provide Department with some flexibility to review meritorious innovation and permit its limited use in the marketplace.
- Consumer Protection
  - Ensure vital consumer protections remain in place and oversight available to terminate harmful beta tests.
- Dialogue
  - Encourage innovation and increase the dialogue between various parties in this environment.
- Collaboration
  - Support insurance innovation and economic growth within Kentucky by fostering a collaborative relationship between the parties.

# Summary of HB 386

- Framework:
  - Providing the Commissioner with the statutory authority to waive specific regulatory and/or statutory barriers to permit the use, sale, or licensure of an approved insurance innovation.
  - Detailed application for review by the Director of Insurance Innovation.
- Discretion:
  - Commissioner has broad discretion and oversight at all stages including the application process, issuance of letters, beta test oversight, and reporting.
- Consumer protection is main priority:
  - Licensing and financial security requirements;
  - Specific consideration in the application and approval process;
  - Terms and conditions letter;
  - Some statutes specifically can't be waived; and
  - Early termination and civil penalty.
- Legislative Oversight:
  - Reporting requirements for DOI.
  - Recommendations for statutory and/or regulatory change.

# The Innovation Application

- Section 2 establishes the application process.
  - Requirements include:
    - Detailed explanation of innovation and how it adds value and doesn't pose an unreasonable risk of consumer harm;
    - Applicable licenses held;
    - Specific citation to regulatory/statutory barriers; and
    - Disclosure of financial security.
- Application Submission
  - Hard copy directly to the Department;
  - Hand delivery to the Department; and
  - Electronically through eServices at **insurance.ky.gov (in progress)**.

# The Innovation Application

The screenshot displays the homepage of the Kentucky Department of Insurance. At the top left is the logo for the Public Protection Cabinet (PPC) and the text "Kentucky Department of Insurance". A search bar is located at the top center. On the top right, there is a portrait of Nancy G. Atkins, Commissioner of the Department of Insurance, next to the state seal of Kentucky. A dark blue navigation bar contains the following menu items: Home, Consumers, Licensees, Insurers, Our Divisions, Search Options, eServices, Contact, and Open Records. The "eServices" menu item is highlighted with a red arrow. Below the navigation bar, a grid of blue buttons provides quick access to various services: File a Complaint, Bulletins and Advisories, Publications, Forms & Documents, Licensee Search, eServices, Report Insurance Fraud, Statutes & Regulations, and Health Care Reforms. A red arrow points to the "eServices" button in this grid. To the right of the grid is a "Latest News" section with a list of recent updates, including proposed insurance rates, health benefit plans, and fraud statistics. Below the grid is a "DOI Press Releases" section with a list of news items, such as the creation of an insurance innovation "sandbox" and a disbursement to KSBIT members.

**PPC** Kentucky Department of Insurance  
Public Protection Cabinet

Search..

Nancy G. Atkins  
Commissioner  
Department of Insurance

Home Consumers Licensees Insurers Our Divisions Search Options eServices Contact Open Records

**File a Complaint** **Bulletins and Advisories** **Publications**

**Forms & Documents** **Licensee Search** **eServices**

**Report Insurance Fraud** **Statutes & Regulations** **Health Care Reforms**

**DOI Press Releases**

- Kentucky Creates Insurance Innovation "Sandbox"  
Possible Insurance technology advancements will benefit all Kentuckians
- KSBIT members to receive \$5 million disbursement  
KEMI, Kentucky Department of Insurance partner to return money to members

**Latest News**

- Proposed Insurance Rates Submitted to DOI for Review
- 2020 Health Benefit Plan and Pediatric Dental Plan Guidance
- 2019-04 - Fraud Statistics/Convictions Activity (April)
- 2019-03 - Fraud Statistics/Convictions Activity (March)
- 2019-02 - Fraud Statistics/Convictions Activity (February)
- 2019-01 - Fraud Statistics/Convictions Activity (January)
- Bulletin: 2019-03, Insurance Legislation Adopted By The 2019 Kentucky General Assembly (Regular Session)
- 2019 - 2020 Local Government Premium Tax Bulletin
- Order: Approving Refund and Disbursement
- Bulletin: 2018-02, Requirements for Marketing and

# DOI Review of Applications

- Section 3 – The Review Process
  - Authority to request more information.
  - 60 day initial timeframe, plus a 30 day extension with a deemed approved stipulation.
  - Commissioner may issue a notice of acceptance or rejection.
    - Does the application satisfy all of the requirements?
      - Incorporates many of the requirements in Section 2 including the consumer protection provisions.
    - Does the application/innovation pose an unreasonable risk of consumer harm?
    - Are there actual statutory/regulatory barriers?
    - Is there anything substantially similar in the marketplace?

# Other Noteworthy Provisions

- Commissioner's Terms and Conditions
  - Included in Notice of Acceptance and incorporated in LNAL.
  - Consumer protection guardrails over the beta test.
- Limited No-Action Letter ("LNAL")
  - Initial safe harbor to act according to the terms and conditions.
  - Can be terminated if complaints arise, not used, or terms violated.
  - One to two year period.
  - Published on Department website.
- Extended No-Action Letter ("ENAL")
  - If beta test successful, Commissioner *may* enact an ENAL if certain criteria are satisfied.
  - All companies can use the ENAL.
  - Three year maximum period.
  - Published on Department website.



# Publication

- Department of Insurance Website: insurance.ky.gov
  - Look for “Insurance Innovation”

The screenshot shows the homepage of the Kentucky Department of Insurance. At the top left is the PPC logo (Public Protection Cabinet) and the text "Kentucky Department of Insurance". At the top right is the name and title of the Commissioner, Nancy G. Atkins, along with the state seal of Kentucky. A dark blue navigation bar contains several menu items: Consumers, Licensees, Insurers, Our Divisions, Search Options, eServices, Contact, and Open Records. A red arrow points to the "Our Divisions" menu item. Below the navigation bar is a grid of blue buttons for various services: File a Complaint, Bulletins and Advisories, Publications, Forms & Documents, Agent / Agency Search, eServices, Report Insurance Fraud, Statutes & Regulations, and Health Care Reforms. To the right of this grid is a "Latest News" section with a list of recent updates. Below the grid is a "DOI Press Releases" section with a list of news items. At the bottom of the page is a blue banner with four promotional tiles: "The NAIC can assist consumers in locating life insurance policies.", "InsurTech Insurance Innovation", "Get Smarter About Insurance It's a public education program.", and "Kentucky Health Benefit Exchange Health Insurance is for everyone." A red arrow points to the "InsurTech" tile. The footer contains three columns: "Who We Are", "Contact" (with phone number 800-695-6033), and "Navigation" (with links for Consumers, Insurers, Licensees, and Our Divisions).

# Publication

- Department of Insurance Website: [insurance.kv.gov](http://insurance.kv.gov)


Ky.gov An Official Website of the Commonwealth of Kentucky

**PPC** Kentucky Department of Insurance  
Public Protection Cabinet

Home Consumers Licensees Insurers Our Divisions Search Options eServices Contact Open Records

### Insurance Innovation

Think Kentucky



InsurTech's Old Kentucky Home  
HB 386 Brings Insurance Innovation to Kentucky.

Kentucky offers a unique opportunity for innovators and entrepreneurs to beta test a wide variety of insurance products, processes, methods, and procedures according to the framework established in 2019 under House Bill 386 and signed into law by Gov. Bevin. All interested parties can obtain a copy of HB 386 here: <https://apps.legislature.ky.gov/record/19rs/hb386.html>

The Department of Insurance is responsible for implementing the new system, and charged with broad oversight of the application process and approved beta tests.

The Department will begin accepting applications on June 27, 2019 at 8:00am. Applications may be delivered by mail (Attn: Insurance Innovation Review) or hand delivery (215 W. Main Street, Frankfort, KY 40602).

Questions? Please contact either John Melvin ([john.melvin@ky.gov](mailto:john.melvin@ky.gov)) or Patrick O'Connor ([Patrick.oconnor@ky.gov](mailto:Patrick.oconnor@ky.gov)). Read

Limited No Action Letters Issued      Extended No Action Letter Issued

# Bring Innovation to the Bluegrass!

- The Kentucky Department of Insurance is here to assist!
- Applications can be submitted by mail or in person to:
  - Kentucky Department of Insurance
  - Attn: Director of Innovation
  - P.O. Box 517
  - 215 W. Main Street
  - Frankfort, KY 40602
- KDOI began accepting applications on **June 27, 2019.**

# Questions?

- Please direct any questions to:

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