

**CHAPTER 12. COST OF INSURANCE DEPARTMENT
EXAMINATIONS**

Sec.	
12.1.	Purpose.
12.2.	Definitions.
12.3.	Scope.
12.4.	Per diem charges.
12.5.	Travel, lodging and food expenses.
12.6.	Charges for offsite examination work.
12.7.	General procedures related to costs of examinations.

Authority

The provisions of this Chapter 12 issued under Article IX of The Insurance Department Act of 1921 (40 P. S. §§ 323.1—323.8), unless otherwise noted.

Source

The provisions of this Chapter 12 adopted August 5, 1994, effective August 6, 1994, 24 Pa.B. 3841, unless otherwise noted.

§ 12.1. Purpose.

The Department is responsible for the conduct of examinations of insurers and other entities subject to its administrative or regulatory authority under Article IX of the act (40 P. S. §§ 323.1—323.8). Examinations are conducted to verify the financial condition of the examinee and ascertain whether the examinee has complied with the laws of the Commonwealth. Section 907 of the act (40 P. S. § 323.7) provides that the expenses incurred in and about the examination of an entity, including compensation of Department employees assisting in an examination and other professionals or specialists retained as examiners, shall be charged to and paid by the examinee. This chapter specifies the types of examination costs charged to examinees and the manner in which amounts charged are determined.

§ 12.2. Definitions.

In addition to the terms defined in section 902 of the act (40 P. S. § 323.2), the following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

Act—The Insurance Department Act of 1921 (40 P. S. §§ 1—297.4).

Department—The Insurance Department of the Commonwealth.

§ 12.3. Scope.

This chapter applies to every company subject to examination under section 903 of the act (40 P. S. § 323.3).

§ 12.4. Per diem charges.

(a) Per diem charges for Department examinations, including financial examinations, market conduct examinations and examinations of companies subject to summary proceedings, will be updated annually and published in the *Pennsylvania Bulletin* according to the following classifications:

- (1) Examiner Trainee.
- (2) Examiner 1.
- (3) Examiner 2.
- (4) Examiner 3.
- (5) Examination Manager.

(b) In addition to Department examiners, the Department may utilize the services of other Department employes and may retain attorneys, appraisers, independent actuaries, independent certified public accountants or other professionals and specialists as examiners, the cost of which will be charged to and paid by the examinee.

(c) Per diem charges for examiners and other Department employes will be calculated based on the current salary and benefit level of the examiners or other employes. The Department will require that per diem charges for other professionals and specialists retained as examiners be comparable to prevailing rates for the services. Per diem charges for examination costs will be calculated and billed in 1/2 hour units.

Cross References

This section cited in 31 Pa. Code § 12.7 (relating to general procedures related to costs of examination).

§ 12.5. Travel, lodging and food expenses.

(a) In addition to per diem charges, the travel, lodging and food expenses of Department examiners, other Department employes assisting in the examination and other professionals or specialists retained as examiners will be charged to and paid by the examinee.

(b) Charges for travel, lodging and food expenses of Department examiners and employes will be made in accordance with the rules governing employes of the Commonwealth. Charges for travel, lodging and food expenses of other professionals or specialists will be made in accordance with provisions set forth in letters of engagement.

Cross References

This section cited in 31 Pa. Code § 12.7 (relating to general procedures related to costs of examination).

§ 12.6. Charges for offsite examination work.

Charges referred to in this chapter are payable by the examinee for the time period in which a Department examiner, another Department employe or another professional or specialist is engaged in examination work pertaining to that examinee, regardless of whether the examiner, employe or other professional or specialist is physically present at the examinee's business site.

§ 12.7. General procedures related to costs of examinations.

(a) Prior to or contemporaneous with commencement of an examination, the Department will disclose to each examinee the general information relating to how the examination will be conducted and how it will impact the examinee. The information will include, for example, whether examiners conducting the examination will be lodged near the examinee's site or travel daily from home or headquarters, consistent with Commonwealth rules on these matters.

(b) Billings for examination costs will reflect a cost category for per diem charges as set forth in § 12.4 (relating to per diem charges) and a cost category for travel, lodging and food expense as set forth in § 12.5 (relating to travel, lodging and food expenses). Additional detail on costs billed for expenses will be available upon request by examinees.

[Next page is 21-1.]

12-4

(240374) No. 281 Apr. 98

Copyright © 1998 Commonwealth of Pennsylvania