

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0826-02  
Bill No.: SB 170  
Subject: Insurance Dept.; Insurance - General; Fees  
Type: Original  
Date: February 22, 2007

Bill Summary: Revises the filing fees paid by certain insurance organizations to cover administrative expenses incurred by the Department of Insurance, Financial and Professional Regulation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$311,530	\$311,530	\$311,530
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$311,530</b>	<b>\$311,530</b>	<b>\$311,530</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Insurance Dedicated	\$1,244,524	\$1,244,524	\$1,244,524
Insurance Examiners	(\$1,780,171)	(\$1,780,171)	(\$1,780,171)
County Foreign/County Stock	0*	0*	0*
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$535,647)</b>	<b>(\$535,647)</b>	<b>(\$535,647)</b>

\* Savings and transfers-out net to \$0.

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Local Government</b>	<b>\$311,530</b>	<b>\$311,530</b>	<b>\$311,530</b>

**FISCAL ANALYSIS**

## ASSUMPTION

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state the proposal would increase various fees charged by the DIFP to health service corporations, health maintenance organizations and insurance companies. The total increase in revenue by the department from these changes is estimated to be \$1,054,600, deposited into the Insurance Dedicated Fund.

The proposal would require the department only charge direct costs of examinations to insurance companies. The 15% administrative fee and any indirect labor charged for management staff and support to insurance companies as part of the exam assessment would now be funded through the Insurance Dedicated Fund. The department estimates that \$1,780,171 less would be billed and deposited into the Insurance Examiners Fund. The difference in Exam Fund revenue and Dedicated Fund revenue will be covered by existing revenue in the Insurance Dedicated Fund. This change would need to be reflected in the FY 08 Budget should this piece of legislation be passed and signed.

Insurance companies can take a credit against premium taxes for the costs of examinations conducted by the department. The department estimates that due to retaliatory taxes, only 35% of these credits will be redeemed in a given year. By moving \$1.8 million in expenditures from examination charges, premium tax collection would increase by approximately \$623,060 ( $\$1,780,171 \times 35\%$ ). Premium tax is split 50/50 between General Revenue and the County School Funds.

Legislation would allow the department to be reimbursed for administrative services rendered by department employees for services rendered to companies subject to an order of conservation, rehabilitation, or liquidation. Currently there are approximately 15 companies subject to these orders and three (3) FTE in the department providing services to them. The department estimates that potentially \$188,924 per year could be received into the Insurance Dedicated Fund if employees salaries, fringes and expenses were reimbursed.

**Oversight** notes the DIFP is unable to determine how the reduction in tax credits to the County School Fund will be split between the County Foreign and County Stock Funds as the distribution is determined by which insurance companies are examined each year. **Oversight** is showing the savings as County Foreign/County Stock Funds.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE FUND</b>			
<u>Savings - DIFP</u>			
Reduction in tax credits available	<u>\$311,530</u>	<u>\$311,530</u>	<u>\$311,530</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$311,530</u></b>	<b><u>\$311,530</u></b>	<b><u>\$311,530</u></b>
<b>INSURANCE DEDICATED FUND</b>			
<u>Income - DIFP</u>			
Increase in various fees and receivership reimbursements	<u>\$1,244,524</u>	<u>\$1,244,524</u>	<u>\$1,244,524</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>\$1,244,524</u></b>	<b><u>\$1,244,524</u></b>	<b><u>\$1,244,524</u></b>
<b>INSURANCE EXAMINERS FUND</b>			
<u>Loss - DIFP</u>			
Fees/expenses re-designated to the Insurance Dedicated Fund	<u>(\$1,780,171)</u>	<u>(\$1,780,171)</u>	<u>(\$1,780,171)</u>
<b>ESTIMATED NET EFFECT ON INSURANCE EXAMINERS FUND</b>	<b><u>(\$1,780,171)</u></b>	<b><u>(\$1,780,171)</u></b>	<b><u>(\$1,780,171)</u></b>
<b>COUNTY FOREIGN/COUNTY STOCK FUNDS</b>			
<u>Savings - DIFP</u>			
Reduction in tax credits	\$311,530	\$311,530	\$311,530
<u>Transfer-Out - Schools</u>			
Reduction in tax credits transferred to schools	<u>(\$311,530)</u>	<u>(\$311,530)</u>	<u>(\$311,530)</u>
<b>ESTIMATED NET EFFECT ON COUNTY FOREIGN/COUNTY STOCK FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>* Savings and transfer-out net to \$0.</b>			

FISCAL IMPACT - Local Government

FY 2008  
(10 Mo.)

FY 2009

FY 2010

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

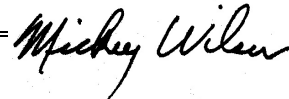
The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial and Professional Regulation

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Director  
February 22, 2007