

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1198-02
Bill No.: SB 340
Subject: Insurance - Automobile; Insurance - Property; Insurance Dept.; Credit and Bankruptcy
Type: Original
Date: February 23, 2007

Bill Summary: Prohibits insurers from taking adverse actions based upon a person's credit report or credit insurance score.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Insurance Dedicated	\$0 to \$32,450	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to \$32,450	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

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

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

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state insurance companies who use credit information to underwrite or rate would be required to re-file their credit scoring models. There are currently approximately 649 insurance companies that may be required to re-file their credit scoring models. Filings would be accompanied by a \$50 filing fee. The DIFP estimates total one-time additional revenues to the Insurance Dedicated Fund of \$0 to \$32,450 (649 companies X \$50 filing fee).

This proposal may result in an increase in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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INSURANCE DEDICATED FUND

<u>Income - DIFP</u>			
Form filing fees	<u>\$0 to \$32,450</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$0 to \$32,450</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may impact small businesses if professional liability and malpractice liability insurance rates change as a result of insurers no longer being able to rate a person based on his/her credit report.

FISCAL DESCRIPTION

This proposal prohibits insurers from taking adverse action based upon a person's credit report. The notification and procedural aspects of the current law are eliminated as insurers are totally prohibited from taking adverse actions in toto. The proposal also modifies the definition of "adverse action" to have the same meaning as provided in federal law. Adverse actions include cancellation, denial, or non-renewal of personal insurance coverage or any unfavorable change in the terms of coverage, including charging a higher premium.

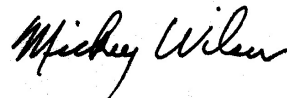
FISCAL DESCRIPTION (continued)

This proposal adds several specific types of insurance products to the definition of an insurance "contract". This proposal applies to a variety of homeowner policies, automobile policies, motorcycle policies, and various watercraft policies. The proposal also applies to professional liability and malpractice liability policies.

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



Mickey Wilson, CPA
Director
February 23, 2007