

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3504-04
Bill No.: SB 775
Subject: Insurance - Automobile; Insurance Dept.; Motor Vehicles
Type: Original
Date: January 11, 2008

Bill Summary: Prohibits automobile insurers from requiring the use of specific repair shops and imposes certain conditions on physical damage appraisers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Insurance Dedicated	\$10,200	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$10,200	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** estimate approximately 204 insurers would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the department for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$10,200 (204 insurers X \$50).

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews, the DIFP will need to request additional staff to handle the increase in workload.

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

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Form filing fees	<u>\$10,200</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$10,200</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal could have an impact on small business insurers if they are required to file policy form amendments. Small business automobile repair shops may be impacted if they have been receiving referrals from insurance companies.

FISCAL DESCRIPTION

Under this proposal, an insurer shall inform a vehicle owner immediately on first contact that they have the right to choose the repair facility of their choice to repair their vehicle. The insurer shall halt any efforts to re-direct, refer or otherwise influence the vehicle owner in the choice of repair facility or program other than the repair facility chosen by the vehicle owner once the vehicle owner has stated they have chosen a repair facility.

The proposal provides that all claims paid by an insurer for motor vehicle damages shall be paid to the claimant by check, electronic transfer of funds or other means that provides the claimant or repair facility immediate access to the funds. Labor rates for motor vehicle damage repairs that are paid by insurers to claimants shall be based on the usual and customary repair rates.

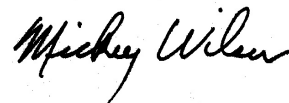
A violation of this proposal by an insurer shall constitute an unfair trade practice.

Under the proposal, insurers or appraisers shall not require that repairs be made or not be made at a specific repair shop. Appraisal forms shall inform the claimant that he or she has the right to choose a repair facility to have his or her vehicle repaired.

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 Institutions and Professional Registration



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January 11, 2008