

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1742-02
Bill No.: Perfected HCS for HB 709
Subject: Insurance - General; Department of Insurance
Type: Original
Date: March 10, 2015

Bill Summary: This proposal allows the Department of Insurance, Financial Institutions and Professional Registration to issue bulletins and no-action letters addressing the business of insurance in the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	\$0 or (\$146,108)	\$0 or (\$162,694)	\$0 or (\$164,359)
Total Estimated Net Effect on Other State Funds	\$0 or (\$146,108)	\$0 or (\$162,694)	\$0 or (\$164,359)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	0 or 2	0 or 2	0 or 2
Total Estimated Net Effect on FTE	0 or 2	0 or 2	0 or 2

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume that 2 FTEs (1 Attorney and 1 Paralegal) would be sufficient to cover the additional legal work in this proposal. However, should the volume of request for no-action letters be more than anticipated, the department will request an additional FTE (1 Attorney) through the budget process. Currently the state has 264 insurance groups with premiums greater than \$2,000,000. A fair estimate is that 1 in 2 insurance groups will request a no-action letter in a given year. This would translate to about 132 requests per year.

Oversight assumes that because this proposal is discretionary DIFP would only take action if the required funds were appropriated through the budget process.

For fiscal note purposes, **Oversight** will show a zero or the full cost of the additional FTE associated with the proposal, as estimated by DIFP.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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INSURANCE DEDICATED FUND

Costs - DIFP

Salaries	\$0 or (\$87,500)	\$0 or (\$106,050)	\$0 or (\$107,111)
Fringe Benefits	\$0 or (\$44,629)	\$0 or (\$54,091)	\$0 or (\$54,632)
Equipment and Expenses	<u>\$0 or (\$13,979)</u>	<u>\$0 or (\$2,553)</u>	<u>\$0 or (\$2,616)</u>
Total Costs - DIFP	<u>\$0 or (\$146,108)</u>	<u>\$0 or (\$162,694)</u>	<u>\$0 or (\$164,359)</u>
FTE Change - DIFP	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$0 or (\$146,108)</u>	<u>\$0 or (\$162,694)</u>	<u>\$0 or \$164,359)</u>
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Estimated Net FTE Change on the Insurance Dedicated Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

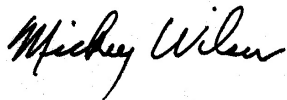
FISCAL DESCRIPTION

This proposal allows the Department of Insurance, Financial Institutions and Professional Registration to issue non-binding informational documents to insurers. The department may issue informal bulletins for the purpose educating the insurance industry and the general public about a regulatory topic or issue. The proposal allows the department to issue a no-action letter stating the intention of the department to not take enforcement actions to a particular insurer based on a specific set of facts presented by the insurer under applicable law as of the date of the issuance of the letter. If there is not a change in any material fact or law or a discovery of a material misrepresentation or omission made by the insurer, the department is stopped from bringing any enforcement action against an insurer who has been issued a no-action letter concerning the conduct that is the subject of the no-action letter.

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



Mickey Wilson, CPA
Director
March 10, 2015

Ross Strope
Assistant Director
March 10, 2015