

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4841-01
Bill No.: Truly Agreed To and Finally Passed SB 594
Subject: Business and Commerce; Consumer Protection; Insurance - General; Department of Insurance, Financial Institutions and Professional Registration
Type: Original
Date: May 29, 2018

Bill Summary: This proposal exempts certain types of commercial insurance lines from filing requirements with respect to rates, rate plans, modifications and manuals.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|------------------------------|------------------------------|------------------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| Insurance Dedicated | (Less than \$300,000) | (Less than \$300,000) | (Less than \$300,000) |
| | | | |
| Total Estimated Net Effect on Other State Funds | (Less than \$300,000) | (Less than \$300,000) | (Less than \$300,000) |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

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 2019 | FY 2020 | FY 2021 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume the policy amendments for certain lines of commercial insurance would no longer be required to be submitted to DIFP for review along with a \$50 filing fee. A loss of revenues to the Insurance Dedicated Fund would vary based upon the number of yearly filings but is estimated to be under \$300,000.

In 2016 there were 6,228 commercial filing companies that could be subject to the exemptions proposed in this legislation, amounting to \$311,400 from commercial form/rate/rule filing fees. Under the current fee structure, if there were a 30% drop in commercial filings, there could be a \$93,420 loss of fees. Assuming a 50% drop in commercial filings, there could be a loss of \$155,700 in filing fees. Assuming a 75% drop in commercial filings, there could be a loss of \$233,550 to the Insurance Dedicated Fund.

Oversight notes that this estimate differs from 2017 (SCS for HCS for HB 741) of (Less than \$100,000). DIFP stated they used new updated information to estimate the impact this year.

Oversight notes the following activity in the Insurance Dedicated Fund (0566) for the past two fiscal years:

| FY | Beginning Balance | Receipts | Disbursements | Ending Balance |
|---------|-------------------|---------------|-----------------|----------------|
| FY 2016 | \$ 5,116,493 | \$ 13,136,952 | \$ (14,758,403) | \$ 3,495,042 |
| FY 2017 | \$ 3,495,042 | \$ 13,669,911 | \$ (15,284,948) | \$ 1,880,005 |

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|---|---|---|---|
| INSURANCE DEDICATED FUND | | | |
| Loss - DIFP - \$50 filing fee no longer required for certain insurers | (Less than <u>\$300,000</u>) | (Less than <u>\$300,000</u>) | (Less than <u>\$300,000</u>) |
| ESTIMATED NET EFFECT ON THE INSURANCE DEDICATED FUND | (Less than <u>\$300,000</u>) | (Less than <u>\$300,000</u>) | (Less than <u>\$300,000</u>) |

| <u>FISCAL IMPACT - Local Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|---|---------------------|------------|------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal exempts certain lines and endorsements of commercial insurance from requirements to file rates, rate plans, modifications, and manuals with the Department of Insurance, Financial Institutions, and Professional Registration, and specifies that filings for other commercial lines and endorsements shall be filed for informational purposes within 10 days of their use.

This proposal specifies that the commercial policies' forms are exempt from filing requirements if the commercial policyholder's annual commercial premiums total at least \$100,000 and the policyholder employs a full time risk manager or has retained a licensed insurance producer to negotiate on its behalf.

Policies exempt from these filing requirements shall include a notice that the policy may include rates or forms exempt from filing with the Department of Insurance, Financial Institutions, and Professional Registration.

Insurers renewing policies exempt from form filing requirements shall give notice at least 10 days prior to the policy's expiration date if, after renewal, there will be a material change in coverage not specifically requested by the insured, required by law, or based on change to the risk insured.

These exemptions apply to policies issued or renewed on or after January 1, 2019.

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

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SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
May 29, 2018