COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3671-01
BILL NO.: SB 929
SUBJECT: Insurance - General; Credit and Bankruptcy
TYPE: Original
DATE: March 27, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	$0	$0	$0
Total Estimated Net Effect on All State Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government			

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** assume this proposal would not fiscally impact their agency. However, if receiverships may not use claims estimations to compel payment from reinsurers, the affect may be to defer the receipt of certain premium tax revenues. Losses from insolvent insurance companies are funded by the state guaranty associations. The guaranty associations must assess other, solvent insurers in order to fund the losses from insolvent insurance companies. Insurance companies are allowed a tax credit against their premium tax liability for assessments paid to the guaranty associations. INS officials assume a delay in the collection of reinsurance proceeds could cause more losses to be funded by the guaranty associations, which will then wait for the reimbursement, by the receiver from eventual collection of reinsurance. This delay would in turn cause a temporary increase in credits against premium tax, which would later be returned to the treasury when the reinsurance collections are credited to the guaranty association. The end result would be a deferral of state revenue.

Oversight assumes the removal of the sunset provision for claims estimations in receivership proceedings would result in no fiscal impact in the years involved with this fiscal note. However, the repeal of this sunset clause would cause a delay in the collection of reinsurance possibly causing an unknown fiscal impact on future years beyond FY2004.

FISCAL IMPACT - State Government	FY 2001 (10 Mo.)	FY 2002	FY 2003
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2001 (10 Mo.)	FY 2002	FY 2003
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This act removes the sunset clause on receivership legislation which allows the estimation of contingent liability claims in receivership proceedings for the purpose of fixing a creditor's claim in the estate. The sunset clause was established in Senate Bill 386 (1999).

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

SOURCE OF INFORMATION

Department of Insurance

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