

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3947-01
BILL NO.: SB 862
SUBJECT: Insurance - General; Bonds - Surety; Insurance Department
TYPE: Original
DATE: April 7, 2000

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| County Foreign Insurance Fund | \$0 | \$0 | \$0 |
| General Fund | Unknown | Unknown | Unknown |
| Total Estimated Net Effect on <u>All</u> State Funds* | Unknown | Unknown | Unknown |

*Expected to be less than \$100,000 annually.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| None | \$0 | \$0 | \$0 |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| Local School Districts* | Unknown | Unknown | Unknown |

*Expected to be less than \$100,000 annually.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** assume current appropriations and staff will be able to absorb the work for implementation of this single proposal. However, if additional proposals are approved during the legislative session, the department may need to request an increase in appropriations due to the combined effect of multiple proposals.

There are approximately 275 surplus lines brokers currently carrying a \$10,000 bond. The state collects an average of \$7-8 million in premium tax annually from surplus lines brokers. The exposure to potential loss under current bonding requirements is great, and INS anticipates that changing the bonding requirements would probably provide a small increase in premium tax, but an estimate would be difficult to estimate.

| <u>FISCAL IMPACT - State Government</u> | FY 2001 (10 Mo.) | FY 2002 | FY 2003 |
|---|---------------------|---------|---------|
|---|---------------------|---------|---------|

COUNTY FOREIGN INSURANCE FUND

| | | | |
|---|---------|---------|---------|
| <u>Income - Department of Insurance</u> | | | |
| Increased premium tax (50%) | Unknown | Unknown | Unknown |

| | | | |
|---------------------------------------|------------------|------------------|------------------|
| <u>Cost - Department of Insurance</u> | | | |
| Transfer to local school districts | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |

| | | | |
|---|-------------------|-------------------|-------------------|
| ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND* | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|---|-------------------|-------------------|-------------------|

*Unknown revenues and expenditures net to \$0.

GENERAL REVENUE FUND

| | | | |
|---|----------------|----------------|----------------|
| <u>Income - Department of Insurance</u> | | | |
| Increased premium tax (50%) | <u>Unknown</u> | <u>Unknown</u> | <u>Unknown</u> |

| | | | |
|--|-----------------------|-----------------------|-----------------------|
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND* | <u>UNKNOWN</u> | <u>UNKNOWN</u> | <u>UNKNOWN</u> |
|--|-----------------------|-----------------------|-----------------------|

*Expected to be less than \$100,000 annually.

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| <u>FISCAL IMPACT - Local Funds</u> | FY 2001 (10 Mo.) | FY 2002 | FY 2003 |
|------------------------------------|---------------------|---------|---------|
|------------------------------------|---------------------|---------|---------|

LOCAL SCHOOL DISTRICT FUNDS

Income - Local School Districts

| | | | |
|---------------------------------------|----------------|----------------|----------------|
| Transfer from Department of Insurance | <u>Unknown</u> | <u>Unknown</u> | <u>Unknown</u> |
|---------------------------------------|----------------|----------------|----------------|

**ESTIMATED NET EFFECT ON
LOCAL SCHOOL DISTRICT
FUNDS***

| | | | |
|--|----------------|----------------|----------------|
| | <u>UNKNOWN</u> | <u>UNKNOWN</u> | <u>UNKNOWN</u> |
|--|----------------|----------------|----------------|

*Expected to be less than \$100,000 annually.

FISCAL IMPACT - Small Business

Certain small businesses would be expected to have a direct fiscal impact as a result of this proposal.

DESCRIPTION

This act allows the Director of Insurance to issue a surplus lines license to a broker who maintains a bond in the amount of \$10,000 or in an amount equal to the tax liability of the previous year, which is greater.

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

This legislation would decrease the state's potential exposure to premium tax loss thereby increasing Total State Revenues.

SOURCE OF INFORMATION

Department of Insurance



Jeanne Jarrett, CPA
Director
April 7, 2000

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