

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4397-02
BILL NO.: SB 1019
SUBJECT: Credit and Bankruptcy; Insurance - General; Insurance Department
TYPE: Original
DATE: March 13, 2000

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
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 Government	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** assume this proposal would not fiscally impact their agency

Office of State Auditor (SAU) officials state the proposal states the state auditor “may” perform an audit. In addition, if an audit is conducted, there are no provisions for payment of costs for the audit. SAU states that since it is unclear how many audits would be conducted, whether audits would be conducted at all, and if conducted who would pay for the costs of the audit, the fiscal impact of this proposal is unknown.

Officials from the **Department of Insurance (INS)** state that it is likely that administrative costs for receiverships would increase as a result of this proposal. INS states this would result in increased assessments to the Guaranty Association and therefore a decrease in premium taxes collected as a result of credits taken by insurers for the Guaranty Association assessments. INS states the fiscal impact of this proposal is unknown.

Office of Attorney General officials did not respond to our fiscal impact request.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss - Department of Insurance</u>			
Reduced premium taxes	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Office of State Auditor</u>			
Auditing costs	<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>

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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COUNTY FOREIGN INSURANCE FUND

<u>Savings - Department of Insurance</u>			
Reduction in distributions	Unknown	Unknown	Unknown

<u>Loss - Department of Insurance</u>			
Reduction in premium taxes	<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>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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LOCAL POLITICAL SUBDIVISIONS

<u>Loss - Local Political Subdivisions</u>			
Reduction in distributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS

<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</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.

DESCRIPTION

This proposal would revise the powers and duties of the rehabilitator and liquidator in insurance company insolvency proceedings. The Director may hire employees to assist him in his duties as rehabilitator but no employee hired would be related within the second degree by blood or marriage to the rehabilitator, the special duty rehabilitator, or to any law firm or consulting firm receiving fees from the insurer's assets. The liquidator's employees, legal counsel and other personnel would not be related within the first degree by blood or marriage to the liquidator,

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DESCRIPTION (continued)

special duty liquidator, or any law firm or other persons receiving fees from the insurer's assets. The attorney who serves as a special duty rehabilitator may not serve as counsel to the rehabilitator or to the company undergoing rehabilitation. The rehabilitator may pursue all appropriate legal remedies, upon court approval, if it appears that there has been criminal or tortious conduct committed. The court would not approve the pursuit of legal remedies by the rehabilitator unless it finds that the costs and benefits of such investigation would exceed its costs. The court may impose conditions on the rehabilitator's pursuit of legal remedies to conserve the insurer's estate.

Only the Attorney General may appear in behalf of the rehabilitator and liquidator in the court of appeals or the supreme court.

The State Auditor would audit the rehabilitator's and liquidator's accounts annually.

A special deputy would not serve in the rehabilitation of an insurance company if he or she represented that insurer before.

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
Office of State Auditor
Office of State Courts Administrator

NOT RESPONDING: Office of Attorney General



Jeanne Jarrett, CPA
Director
March 13, 2000