

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0775-01
Bill No.: SB 193
Subject: Insurance - General; Insurance Department; Licenses - Professional
Type: Original
Date: February 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Insurance Dedicated	\$516,875	\$1,173,750	\$1,173,750
Total Estimated Net Effect on <u>All</u> State Funds	\$516,875	\$1,173,750	\$1,173,750

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the Department of Insurance (INS) state there would be a revenue loss due to single producer licenses: There are currently 4,200 dual agent/broker licensees who pay \$125 biennially for an agent and a broker license (\$25 agent and \$100 broker). These individuals would now have a single license at a cost of \$75 biennially. Lost revenue is estimated at \$105,000 annually. There are approximately 3,000 brokers with a loss of \$25 each (\$100 to \$75). Revenue loss is estimated at \$37,500 annually. Agency license fee of \$100 biennially is reduced to \$75. This would result in a loss of \$25 for 9,900 agencies. Annual revenue loss is estimated at \$123,750. Due to full reciprocity, certification and clearance fees from non-resident producers will result in a loss of \$425,000 annually. Late fees are capped at double the licensing fee during 12 months of renewal date. Currently they are calculated at \$25 per month with no cap. Estimated loss of revenue is ½ of average annual late fees collected or \$85,000 annually. INS estimates the total annual loss of revenue at \$776,250 from Insurance Dedicated Fund.

INS states there would be a revenue gain due to single producer licenses. INS states there are currently 85,438 licensed individuals (4,200 have dual agent/broker licenses, 3,000 have broker licenses and 78,238 have agent licenses. INS estimates the revenue gain would be \$50 per license on 39,000 agents per year or \$1,950,000.

INS states they would require contract programming cost of \$70,000 to modify the licensing system to go from multiple licenses to a single producer license.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Licensing fees	\$586,875	\$1,173,750	\$1,173,750
<u>Cost - Department of Insurance</u>			
Programing costs	<u>(\$70,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$516,875</u>	<u>\$1,173,750</u>	<u>\$1,173,750</u>

FISCAL IMPACT - Local Government

FY 2002
(6 Mo.)

FY 2003

FY 2004

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent they may incur additional licensing fees and administrative costs as a result of the requirements of this proposal.

DESCRIPTION

This proposal would revise the law governing the licensing of insurance agents and brokers. The proposal would remove distinctions between agents and brokers in terms of licensing, referring to each as "insurance producers". The proposal would revise most of the provisions pertaining to licensure including: the courses of study initially required for licensure, continuing education, temporary licensure, the termination and renewal of agency contracts, examination requirements, broker compensation restrictions, suspension and revocation of licenses, penalties for violations, closed and confidential records, and fees for licensure. This proposal is modeled after the Producer Licensing Model Act promulgated by the National Association of Insurance Companies.

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



Jeanne Jarrett, CPA
Director

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