COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0775-05
Bill No.: Truly Agreed To and Finally Passed HCS for SS for SB 193
Subject: Insurance - General; Insurance Department; Licenses - Professional
Type: Original
Date: May 25, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Insurance Dedicated	$0	($40,750)	$58,500
Total Estimated Net Effect on All State Funds	**$0**	**($40,750)**	**$58,500**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on All 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 4 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 $100 biennially. Lost revenue is estimated at $52,500 (4200 x $25 divided by 2) annually. There are approximately 3,000 brokers with no change. License fee revenue remains the same for 9,900 agencies. Due to full reciprocity, certification and clearance fees from non-resident producers would result in a loss of $425,000 annually. Late fees would be capped at $25 per month for 12 months. Currently they are calculated at $25 per month with no cap. Estimated loss of revenue is 1/3 of average annual late fees collected or $56,000 annually. Continuing education filing fee has been eliminated at a loss in revenue of $363,000 annually. Appointment and termination fees have been eliminated at a loss of revenue of $1,820,000 annually. Total annual loss of revenue is estimated at $2,716,500 from Insurance Dedicated Fund. INS estimates a revenue gain due to single producer licenses: There are currently 86,000 licensed producers (4,200 have dual agent/broker licenses, 3,000 have broker licenses, 9,900 have agency licenses and 69,000 have agent licenses. With adding new agents each year, department estimates revenue gain would be $75 per license on 37,000 agents per year or $2,775,000. The department would require contract programming cost of $70,000 to modify the licensing system to go from multiple licenses to a single producer license.

INS states that in 1997 examination fees exceeding tax liability was $2,014,964 and was $1,843,054 for 1998. Using this information, INS estimates that $1,929,009 in examination fees would be carried forward each year split between General Revenue Fund and County Foreign Insurance Fund beginning with taxes filed 3/2004. Carry forward would impact revenues in 2005. The department would need to re-write the premium tax credit sub-system using a relational database to allow for accounting of the tax credits and carryover from year to year. This would require approximately 760 hours of contract computer programming at $125 per hour to implement. This would be a one-time cost of $95,000 to the Insurance Dedicated fund during FY2005.

FISCAL IMPACT - State Government	FY 2002 (6 Mo.)	FY 2003	FY 2004
INSURANCE DEDICATED FUND			
Income - Department of Insurance			
Licensing fees	$0	$29,250	$58,500

FISCAL IMPACT - State Government	FY 2002 (6 Mo.)	FY 2003	FY 2004
Cost - Department of Insurance			
Programming costs	$0	($70,000)	$0
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	**$0**	**($40,750)**	**$58,500**

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 various provisions of the law governing insurance. The proposal would: (1) remove the distinction between agents and brokers in terms of licensing, referring to each as "insurance producers" and revises 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 portion of the proposal would be effective on January 1, 2003; (2) allow insurers to carry over the examination fee deduction to future tax years until the full deduction is claimed, up to 5 years; (3) increase the bonding amount required for insurance brokers selling surplus lines insurance to the lesser of $100,000 or an amount equal to the broker's tax liability for the previous tax year. Currently, a bond of $10,000 is required; (4) grant nonresident licensees of surplus lines insurance the same authority as resident licensees. Currently, the licensing of nonresidents is within the discretion of the Department of Insurance; and (5) require the expungement, after 5 years, of insurance agent disciplinary records for disciplinary actions that resulted in a voluntary forfeiture of $200 or less.

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

MW:LR:OD (12/00)

SOURCES OF INFORMATION

Department of Insurance

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