

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4690-02
Bill No.: HB 1608
Subject: Insurance - General; Insurance Dept.
Type: Original
Date: February 7, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$324,915	\$324,915	\$324,915
Total Estimated Net Effect on General Revenue Fund	\$324,915	\$324,915	\$324,915

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Insurance Dedicated	\$1,087,290	\$1,087,290	\$1,087,290
Insurance Examiners	(\$1,856,654)	(\$1,856,654)	(\$1,856,654)
County Foreign/Stock	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$769,364)	(\$769,364)	(\$769,364)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$324,914	\$324,914	\$324,914

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state the proposal would increase various fees charged by the INS to health service corporations, health maintenance organizations and insurance companies. The total increase in revenue by the INS from these changes are estimated to be \$1,087,290, deposited into the Insurance Dedicated Fund.

The proposal would require that the INS only charge direct costs of examinations to insurance companies. The 15% administrative fee and any indirect labor charged for management staff and support to insurance companies as part of the exam assessment would now be funded through the Insurance Dedicated Fund. The INS estimates that \$1,856,655 less would be billed and deposited into the Insurance Examiners Fund. The difference in Exam Fund revenue and Dedicated Fund revenue will be covered by existing revenue in the Insurance Dedicated Fund. This change would need to be reflected in the FY 07 budget should this proposal be passed and signed by the Governor.

Insurance companies can take a credit against premium taxes for the costs of examinations conducted by the INS. The INS estimates that due to retaliatory taxes, only 35% of these credits will be redeemed in a given year. By moving \$1.8 million in expenditures from examination charges, premium tax collection would increase by approximately \$649,829. Premium tax is split 50/50 between General Revenue and the County Schools Fund.

ASSUMPTION (continued)

The INS assumes that all current expenses currently being paid from the Insurance Dedicated Fund will be counted as allowable costs under the clarification in 374.150.2

Oversight notes the INS is unable to determine how the reduction in tax credits to the County School Fund will be split between the County Foreign and Stock Funds as the distribution is determined by which insurance companies are examined each year. **Oversight** is showing the savings as County Foreign/Stock Funds.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Savings - Department of Insurance</u>			
Reduction in tax credits available	<u>\$324,915</u>	<u>\$324,915</u>	<u>\$324,915</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$324,915</u>	<u>\$324,915</u>	<u>\$324,915</u>
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Increase in various fees	<u>\$1,087,290</u>	<u>\$1,087,290</u>	<u>\$1,087,290</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$1,087,290</u>	<u>\$1,087,290</u>	<u>\$1,087,290</u>
INSURANCE EXAMINERS FUND			
<u>Loss - Department of Insurance</u>			
Fees/expenses re-designated to Insurance Dedicated Fund	<u>(\$1,856,654)</u>	<u>(\$1,856,654)</u>	<u>(\$1,856,654)</u>
ESTIMATED NET EFFECT ON INSURANCE EXAMINERS FUND	<u>(\$1,856,654)</u>	<u>(\$1,856,654)</u>	<u>(\$1,856,654)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
COUNTY FOREIGN/ STOCK FUNDS			
<u>Savings - Department of Insurance</u>			
Reduction in tax credits	\$324,914	\$324,914	\$324,914
<u>Transfer-Out - Schools</u>			
Reduction in tax credits transferred to schools	(\$324,914)	(\$324,914)	(\$324,914)
ESTIMATED NET EFFECT ON COUNTY FOREIGN OR STOCK FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
LOCAL GOVERNMENTS - SCHOOLS			
<u>Transfer-In - Schools</u>			
Reduction in tax credits transferred from County Foreign/Stock Funds	<u>\$324,914</u>	<u>\$324,914</u>	<u>\$324,914</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - SCHOOLS	<u>\$324,914</u>	<u>\$324,914</u>	<u>\$324,914</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal revises the fee schedules for health services corporations, health maintenance organizations and insurance companies. The proposal revises the filing fees for certain documents paid by those types of organizations.

DESCRIPTION (continued)

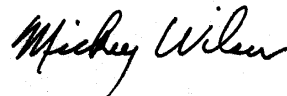
The proposal also provides that the assessments made against insurance companies for examination purposes shall include: (1) The costs of compensation, including benefits, for the examiners, analysts, actuaries, and attorneys contributing to the examination of the company; (2) Reasonable travel, lodging and meal expenses related to an on-site examination; and (3) Other expenses related to the examination.

The proposal requires the director to pay such expenses from the insurance examiners fund.

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 7, 2006