

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1817-02
Bill No.: HB 790
Subject: Insurance - Medical; Fees; Insurance Dept.
Type: Corrected
Date: February 20, 2007
To correct error in total FY 2010 Estimated Net Effect on Other State Funds

Bill Summary: Revises the filing fees paid by certain insurance organizations to cover administrative expenses incurred by the Department of Insurance, Financial and Professional Regulation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$311,530	\$311,530	\$311,530
Total Estimated Net Effect on General Revenue Fund	\$311,530	\$311,530	\$311,530

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Insurance Dedicated	\$1,244,524	\$1,244,524	\$1,244,524
Insurance Examiners	(\$1,780,171)	(\$1,780,171)	(\$1,780,171)
County Foreign/County Stock	0*	0*	0*
Total Estimated Net Effect on Other State Funds	(\$535,647)	(\$535,647)	(\$535,647)#

* Savings and transfers-out net to \$0.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$311,530	\$311,530	\$311,530

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state the proposal would increase various fees charged by the DIFP to health service corporations, health maintenance organizations and insurance companies. The total increase in revenue by the department from these changes is estimated to be \$1,054,600, deposited into the Insurance Dedicated Fund.

The proposal would require the department 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 department estimates that \$1,780,171 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 08 Budget should this piece of legislation be passed and signed.

Insurance companies can take a credit against premium taxes for the costs of examinations conducted by the department. The department 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 \$623,060 (\$1,780,171 x 35%). Premium tax is split 50/50 between General Revenue and the County School Funds.

Legislation would allow the department to be reimbursed for administrative services rendered by department employees for services rendered to companies subject to an order of conservation, rehabilitation, or liquidation. Currently there are approximately 15 companies subject to these orders and three (3) FTE in the department providing services to them. The department estimates that potentially \$188,924 per year could be received into the Insurance Dedicated Fund if employees salaries, fringes and expenses were reimbursed.

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

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
<u>Savings - DIFP</u>			
Reduction in tax credits available	<u>\$311,530</u>	<u>\$311,530</u>	<u>\$311,530</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$311,530</u>	<u>\$311,530</u>	<u>\$311,530</u>
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Increase in various fees and receivership reimbursements	<u>\$1,244,524</u>	<u>\$1,244,524</u>	<u>\$1,244,524</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$1,244,524</u>	<u>\$1,244,524</u>	<u>\$1,244,524</u>
INSURANCE EXAMINERS FUND			
<u>Loss - DIFP</u>			
Fees/expenses re-designated to the Insurance Dedicated Fund	<u>(\$1,780,171)</u>	<u>(\$1,780,171)</u>	<u>(\$1,780,171)</u>
ESTIMATED NET EFFECT ON INSURANCE EXAMINERS FUND	<u>(\$1,780,171)</u>	<u>(\$1,780,171)</u>	<u>(\$1,780,171)</u>
COUNTY FOREIGN/COUNTY STOCK FUNDS			
<u>Savings - DIFP</u>			
Reduction in tax credits	\$311,530	\$311,530	\$311,530
<u>Transfer-Out - Schools</u>			
Reduction in tax credits transferred to schools	<u>(\$311,530)</u>	<u>(\$311,530)</u>	<u>(\$311,530)</u>
ESTIMATED NET EFFECT ON COUNTY FOREIGN/COUNTY STOCK FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
* Savings and transfer-out net to \$0.			

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
LOCAL GOVERNMENTS - SCHOOLS			
<u>Transfer-In - Schools</u>			
Reduction in tax credits transferred from County Foreign/County Stock Funds	<u>\$311,530</u>	<u>\$311,530</u>	<u>\$311,530</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - SCHOOLS	<u>\$311,530</u>	<u>\$311,530</u>	<u>\$311,530</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal revises the fee schedules for health services corporations, health maintenance organizations, and insurance companies and for certain document filing fees paid by these organizations. Assessments made against insurance companies for examination purposes will include: (1) The cost 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 for an on-site examination; and (3) Other expenses of the examination.

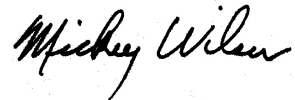
The Director of the Department of Insurance, Financial Institutions, and Professional Registration must pay these expenses from the Insurance Examiners Fund, and the Insurance Dedicated Fund may be used for the regulation of the business of insurance and the operation of the Division of Consumer Affairs.

All domestic insurance companies subject to orders of conservation, rehabilitation, or liquidation must reimburse the Insurance Dedicated Fund for administrative services rendered by state employees to the company.

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, Financial and Professional Regulation

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

Mickey Wilson, CPA
Director
February 20, 2007