

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4158-01
Bill No.: HB 1648
Subject: Insurance - Automobile; Insurance - General
Type: Original
Date: January 2, 2020

Bill Summary: This proposal modifies provisions relating to the regulation of residual insurance market entities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Commerce and Insurance (DCI)** assume the proposal will have no fiscal impact on their organization.

Officials from DCI state that there is no fiscal impact to DCI because these high risk pools are currently already in operation and the department is already overseeing their operations. This legislation will not change or alter how the department oversees these operations.

The language updates the organizational structure of the governing bodies of these high risk pools and provides personal liability protection to those serving at no compensation on these non-profit Boards and Commissions. Recent litigation around the country has revealed personal liability exposure for these non-compensated Board members. This language is intended to protect the individual board members from their personal liability; any professional liability arising through their official acts would still be covered by the high risk pools themselves.

As to the auto insurance high risk pool plan legislative language, this language allows the plan to change how policies are administered - by adding additional approved contractual arrangements. It adds provisions into the statute regarding assessments; however, that language reflects what was already within the approved Plan of Operation and reflects no change in how assessments for the auto high risk pool have been administered since its inception in the 1950s.

The current contract administrator for the private passenger auto insurance high risk pool, which contracted under the previous statutory language, has given formal notice they intend to terminate their contract. This language will allow the high risk pool to contract with other entities to continue servicing private passenger auto policies in the high risk pool.

Again, these provisions have no fiscal impact to the DCI.

Officials from the **Department of Revenue** assume the proposal will have no fiscal impact on their organization.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business insurance companies may be impacted by this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.


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 Commerce and Insurance
Department of Revenue



Julie Morff
Director
January 2, 2020



Ross Strobe
Assistant Director
January 2, 2020