

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1752-01
Bill No.: HB 532
Subject: Insurance - Property; Insurance - Property, Real and Personal
Type: Original
Date: March 10, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Insurance Dedicated Fund	\$11,100	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$11,100	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state residential property policies must be rewritten to say that weather-related claims will not be used to non-renew or cancel the policy. Policy form amendments must be reviewed by the INS and accompanied by a \$50 filing fee. This fee is deposited into the Insurance Dedicated Fund. The INS estimates that 222 insurers will need to file amendments, resulting in one-time additional revenues to the Insurance Dedicated Fund of \$11,100 (222 X \$50).

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Policy form filing fees	<u>\$11,100</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$11,100</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small business insurance companies could be impacted by this proposal.

DESCRIPTION

This proposal makes several changes to the laws governing property insurance and the Basic Property Insurance Inspection and Placement Program. Regarding property insurance in general, the proposal: (1) Clarifies that the definition of a property insurance "claim" does not include an inquiry as to whether a particular loss is covered by the policy; (2) Prohibits property insurers from using an inquiry of whether a particular loss is covered as a basis for the non-renewal of a policy; (3) Requires that when a property insurance policy is canceled because of an increase in risk due to a physical change in the property, that physical change must be "significant"; (4) Increases the notice period for cancellation of a property insurance policy from 30 days to 60 days; (5) Prohibits a property insurer from citing a generalized term of "poor credit history" when explaining the reason for cancellation or non-renewal of a policy; (6) Prohibits insurers from using "weather-related claims" as a basis for non-renewal of a policy. A weather-related claim is defined as any loss resulting from an act of God which an insured is unable to reduce the risk; and (7) Prohibits property insurers from using a rating system that surcharges an insured for weather-related claims or inquires regarding coverage.

Regarding the Basic Property Insurance Inspection and Placement

Program, the proposal: (1) Changes the name of the Basic Property Insurance Inspection and Placement Program to the Fair Access to Insurance Requirements (FAIR) Plan; (2) Increases the maximum liability limits for the plan from \$100,000 to \$300,000 for residential property and from

\$1 million to \$3 million for commercial property; (3) Requires the "facility" (the association of insurers that administers the FAIR Plan) to provide, upon request, a list of all those insured by the plan; (4) Makes all policies issued under the FAIR Plan subject to the Unfair Claim Settlement Practices Act and the Unfair Trade Practices Act; (5) Requires that when a policy is canceled because of a physical change in the property, the Department of Insurance must be provided a copy of the findings at least 10 days before the cancellation takes effect; (6) Requires that the facility must provide the insured with the actual reason for any cancellation or non-renewal. The reason must be given in clear and specific language that a person of normal intelligence can understand; and (7) Adds two members, appointed by the Governor, to the governing committee of the facility to represent consumers.

DESCRIPTION (continued)

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



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