

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1952-01
Bill No.: HB 559
Subject: Insurance - General; Insurance Dept.
Type: Original
Date: March 7, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue Fund*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund *	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
County Foreign Insurance Fund*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds*	(Unknown)	(Unknown)	(Unknown)

***The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the taxes were not paid because of defaults by the surplus lines insurers.**

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 <u>All</u> Federal Funds	\$0	\$0	\$0

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

***The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the taxes were not paid because of defaults by the surplus lines insurers.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development** state the proposal will have no fiscal impact on their organization.

Officials from the **Department of Insurance (INS)** state removing bond requirements may potentially decrease surplus lines tax collected by the state. Currently the state can collect tax payment against the bond when the licensee defaults. This has happened twice in the last four years for a total of \$10,600 in taxes. Without the bond, this potentially could increase as the state would have little recourse for collection. The INS estimates an unknown loss of revenue to the General Revenue Fund and County Foreign Insurance Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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GENERAL REVENUE FUND

HW-C:LR:OD (12/02)

<u>Loss - Department of Insurance</u>			
Decrease in surplus lines tax collected*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
COUNTY FOREIGN INSURANCE FUND			
<u>Loss - Department of Insurance</u>			
Decrease in surplus lines tax collected*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0*</u>	<u>\$0*</u>	<u>\$0*</u>

***The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the taxes were not paid because of defaults by the surplus lines insurers.**

FISCAL IMPACT - Small Business

This proposal may impact small business insurance companies as it would eliminate the bonding requirements.

DESCRIPTION

This proposal repeals the bond requirement to acquire a license to sell surplus lines of insurance.

This legislation is not federally mandated, would not duplicate any other program and would not

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require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Insurance



MICKEY WILSON, CPA
DIRECTOR
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