

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3627-01
BILL NO.: HB 1681
SUBJECT: Insurance - General; Insurance Department
TYPE: Original
DATE: February 4, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(Unknown)	(Unknown)	(Unknown)
County Foreign Insurance	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state the proposal would have no fiscal impact on the department's operations. INS states that if receiverships may not use claims estimations to compel payment from reinsurers, the effect may be to defer the receipt of certain premium tax revenues. INS states the losses from insolvent insurance companies are funded by the state guaranty associations. The guaranty associations must assess other, solvent insurers in order to fund the losses from insolvent insurance companies. Insurance companies are allowed a tax credit against their premium tax liability for assessments paid to the guaranty associations. Delay in the collection of reinsurance proceeds could cause more losses to be funded by the guaranty associations, which would then wait for the reimbursement, by the receiver from eventual collection of reinsurance. This delay would in turn cause a temporary increase in credits against premium tax, which would later be returned to the treasury when the reinsurance collections are credited to the guaranty association. The end result would be a deferral of state revenue. INS states the average time period for an insurance receivership is approximately six years.

Oversight assumes that in the first three years there would be an increase in credits against premium tax for the fiscal note period and therefore, a loss of funds to the General Revenue Fund and the County Foreign Insurance Fund. **Oversight** also assumes that there would be an increase in revenues to these funds in the last three years of the insurance receivership.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Income - Department of Insurance

Recovery of premium taxes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
COUNTY FOREIGN INSURANCE FUND			
<u>Savings - Department of Insurance</u> Distributions to local political subdivisions	Unknown	Unknown	Unknown
<u>Loss - Department of Insurance</u> Premium taxes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss - Local Political Subdivisions</u> Distributions from County Foreign Insurance Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would repeal the sunset clause (December 31, 2000) on a provision of law that would: (1) allow a creditor's claim to be fixed using the liquidator's estimate of the insurer's liabilities; (2) clarify that a receiver could not require payment from a reinsurer based upon estimated incurred-but-not-reported losses; and (3) allow the liquidator to negotiate a settlement of all liabilities resulting from reinsurance contracts.

DESCRIPTIONS (continued)

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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, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
February 4, 2000