

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 3834-01  
BILL NO.: HB 1688  
SUBJECT: Insurance - General; Insurance Department  
TYPE: Original  
DATE: February 21, 2000

**FISCAL SUMMARY**

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

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

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                  |                  |                  |
|--|------------------|------------------|------------------|
| FUND AFFECTED                              | FY 2001          | FY 2002          | FY 2003          |
| <b>Local Government</b>                    | <b>(UNKNOWN)</b> | <b>(UNKNOWN)</b> | <b>(UNKNOWN)</b> |

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

**FISCAL ANALYSIS**

ASSUMPTION

Officials from the **Department of Insurance (INS)** state this proposal could exempt much information that is useful (and currently used) in an examination. INS state this could result in examinations becoming more lengthy and providing less reliable information. For example, any documentation of the reserves posted for a claim file is a “voluntary, internal evaluation, review, assessment or audit” which is not expressly required by law and which is not required to be collected, developed, maintained, reported, or otherwise made available to a regulatory agency according to state or federal statutes, rules, regulations, or orders. INS states that reviewing the reserving practices of an insurance company would become more difficult and ascertaining its financial condition would become more difficult. INS cannot determine at this time how much if any additional examination time would be required as a result of this proposal.

| <u>FISCAL IMPACT - State Government</u>                     | FY 2001<br>(10 Mo.)     | FY 2002                 | FY 2003                 |
|---|-------------------------|-------------------------|-------------------------|
| <b>GENERAL REVENUE FUND</b>                                 |                         |                         |                         |
| <u>Loss - Department of Insurance</u>                       |                         |                         |                         |
| Reduction in premium taxes                                  | <u>(Unknown)</u>        | <u>(Unknown)</u>        | <u>(Unknown)</u>        |
| <b>ESTIMATED NET EFFECT ON<br/>GENERAL REVENUE FUND</b>     | <b><u>(Unknown)</u></b> | <b><u>(Unknown)</u></b> | <b><u>(Unknown)</u></b> |
| <b>INSURANCE EXAMINERS FUND</b>                             |                         |                         |                         |
| <u>Income - Department of Insurance</u>                     |                         |                         |                         |
| Examination fees  | Unknown                 | Unknown                 | Unknown                 |
| <u>Costs - Department of Insurance</u>                      |                         |                         |                         |
| Examination expenditures                                    | <u>(Unknown)</u>        | <u>(Unknown)</u>        | <u>(Unknown)</u>        |
| <b>ESTIMATED NET EFFECT ON<br/>INSURANCE EXAMINERS FUND</b> | <b><u>\$0</u></b>       | <b><u>\$0</u></b>       | <b><u>\$0</u></b>       |

|   |                     |         |         |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2001<br>(10 Mo.) | FY 2002 | FY 2003 |
|---|---------------------|---------|---------|

**COUNTY INSURANCE FUND**

Savings - Department of Insurance

|  |         |         |         |
|--|---------|---------|---------|
| Less distributions to local political subdivisions | Unknown | Unknown | Unknown |
|--|---------|---------|---------|

Loss - Department of Insurance

|                            |                  |                  |                  |
|----------------------------|------------------|------------------|------------------|
| Reduction in premium taxes | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
|----------------------------|------------------|------------------|------------------|

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| <b>ESTIMATED NET EFFECT ON COUNTY INSURANCE FUND</b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> |
|--|-------------------|-------------------|-------------------|

|   |                     |         |         |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2001<br>(10 Mo.) | FY 2002 | FY 2003 |
|---|---------------------|---------|---------|

**LOCAL POLITICAL SUBDIVISIONS**

Loss - Local Political Subdivisions

|  |                  |                  |                  |
|--|------------------|------------------|------------------|
| Reduction in premium tax distributions | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
|--|------------------|------------------|------------------|

|   |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|
| <b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b> | <b><u>(UNKNOWN)</u></b> | <b><u>(UNKNOWN)</u></b> | <b><u>(UNKNOWN)</u></b> |
|---|-------------------------|-------------------------|-------------------------|

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would grant an evidentiary privilege to an insurance company's voluntary self-evaluative compliance audit. Such a privilege would extend only to those documents collected or developed for the primary purpose and in the course of the audit. Information otherwise required by law or obtained independently does not fall within the privilege. A court, after an in camera review, may order privileged information disclosed if it finds the privilege

DESCRIPTION (continued)

L.R. NO. 3834-01  
BILL NO. HB 1688  
PAGE 4 OF 4  
February 21, 2000

would be asserted for fraudulent purposes or when the insurer failed to take reasonable corrective action to eliminate noncompliance with insurance laws within a reasonable time. Also, in criminal proceedings, the court may order disclosure of the privileged information when it finds a prosecutor would have a compelling need for the information and it would not be otherwise available, without incurring unreasonable cost and delay. The court must conduct in camera hearings within 45 days of the filing of a petition to determine privilege. Any order to disclose information would not constitute a general waiver of the document's privileged status.

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



Jeanne Jarrett, CPA  
Director  
February 21, 2000