COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1208-02
Bill No.: Truly Agreed To and Finally Passed SCS for HB 459
Subject: Insurance - General; Insurance Department
Type: Original
Date: May 21, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on All State Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** assume this proposal would not fiscally impact their agency. However, 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. 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. INS officials assume a delay in the collection of reinsurance proceeds could cause more losses to be funded by the guaranty associations, which will 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.

Oversight assumes the removal of the sunset provision for claims estimations in receivership proceedings would result in no fiscal impact in the years involved with this fiscal note. However, the repeal of this sunset clause would cause a delay in the collection of reinsurance possibly causing an unknown fiscal impact on future years beyond FY2005.

FISCAL IMPACT - State Government	FY 2002	FY 2003	FY 2004
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2002	FY 2003	FY 2004
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent they may receive additional resources due to the requirements of this proposal.

DESCRIPTION

This proposal would extend to December 31, 2005, the sunset clause on a section of law regarding the liquidation of insurance companies. Portions of this proposal expired on December 31, 2000. The proposal would allow an estimation of contingent liabilities to be used to fix creditors' claims during the liquidation process. The proposal would also require a reinsurer's payments to be made directly to the liquidator, except where the contract specifically provides for another payee or where another insurer assumes the ceding insurer's policy obligations. The proposal contains an emergency clause.

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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