

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 297** SLS 12RS 353

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 2, 2012	8:31 AM	<b>Author:</b> PETERSON
<b>Dept./Agy.:</b> Louisiana Department of Insurance		<b>Analyst:</b> Alan M. Boxberger
<b>Subject:</b> Sunsets all insurance policy forms every five years		

INSURERS OR INCREASE SG EX See Note  
Sunsets all insurance policy forms every five years. (8/1/12)

Present law requires any basic insurance policy form, other than fidelity or surety bond forms, to be approved by the commissioner of insurance prior to issuance, delivery or use. Proposed law provides that the approval of any basic insurance policy form shall be effective for a period of five years from the due date of approval unless sooner rescinded or later extended by the commissioner. Further provides that the commissioner may provide for the orderly review of the forms approved before July 1, 2007. Provides, however, that the current approval of such forms shall be effective until June 30, 2017, absent any express rescision or extension by the commissioner.

<b>EXPENDITURES</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

  

<b>REVENUES</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>5 -YEAR TOTAL</b>
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Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

The proposed law will result in an indeterminable increase in expenditures in the Department of Insurance dependent upon the number of actual form reviews realized on an annual basis. The proposed law sunsets all insurance policy forms every five years. LDI currently reviews new or updated policy forms for property and casualty, life, and annuity and health. LDI currently processes approximately 40,000 forms per year. Since FY 03, LDI has processed an estimated 339,617 insurance policy forms.

LDI estimated the proposed law will result in an increase of approximately 80,000 policy form reviews per year and indicates the workload demand will require approximately 13 additional T.O. positions (8 Insurance Compliance Examiner 1, and 5 Insurance Compliance Examiner 2), along with associated personal services and operating services expenditures. If the forms to be reviewed and processed essentially triple over current levels, it is possible that the staffing level requirements would grow proportionally as suggested by LDI.

**SEE PAGE 2**

**REVENUE EXPLANATION**

The proposed law will result in additional SGR to the Louisiana Department of Insurance (LDI). Form filing fees are outlined in R.S. 22:821 (9)(10)(11) and range from \$20 to \$100 depending upon the type and complexity of the form. The increase in the number of forms to be reviewed on an annual basis is unknown and speculative, but the Louisiana Department of Insurance (LDI) estimates an increase of 80,000 beyond the current level of 40,000 form reviews annually, or 120,000 annually.

In the three year period from FY 09 to FY 11, LDI collected an average of \$357,429 from form filings. Assuming LDI's estimate that form review requests would essentially triple under the proposed law, and to the degree that recent requests provide a representative sampling of the types of forms that would be reviewed, LDI anticipates a significant increase in self-generated revenues potentially up to three times current collections, to approximately \$1,072,287, or an increase of approximately \$715,000 annually. The increase is insufficient to fully fund the increased staff indicated by LDI as necessary to handle the workload.

LDI currently generates SGR in excess of its operating budget authority and this amount is included as SGF revenue by the Revenue Estimating Conference (REC). The excess reverting to the SGF exceeds the amount necessary for the expenditures required within the proposed law that are greater than the projected increase in revenues. LDI could absorb the overage in expenditures incurred by the proposed law with existing revenues but would require additional SGR budget authority in HB1. This would, in effect, reduce the SGF estimate by the REC on a dollar for dollar basis.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*  
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**Staff Director**

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**CONTINUED EXPLANATION from page one:**

Potential LDI Operating Budget Impact

<u>EXPENDITURES</u>	<u>FY 2012/13</u>	<u>FY 2013/14</u>	<u>FY 2014/15</u>	<u>FY 2015/16</u>	<u>FY 2016/17</u>
SALARIES	\$630,780	\$656,011	\$682,252	\$709,542	\$737,923
RELATED BENEFITS	\$311,644	\$324,110	\$337,074	\$350,557	\$364,579
OPERATING SERVICES	\$92,313	\$92,313	\$92,313	\$92,313	\$92,313
<u>SUPPLIES</u>	<u>\$6,500</u>	<u>\$6,500</u>	<u>\$6,500</u>	<u>\$6,500</u>	<u>\$6,500</u>
TOTAL	\$1,041,237	\$1,078,934	\$1,118,139	\$1,158,912	\$1,201,315
T.O.	13	13	13	13	13

The operating budget impact assumes the addition of thirteen (13) positions as noted on the previous page and adjusts personal services expenditures by 4% in each year after the first to account for the possibility of merit increases.

The operating services category includes costs such as building maintenance, postage, telephone service, printing, and other statewide costs associated with employee operations. The supplies category provide office supplies for thirteen employees.

Expenditure need may increase to the degree that the department is required to make acquisitions expenditures for office equipment and furniture associated with the new T.O. positions.

Senate

Dual Referral Rules

House

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input checked="" type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}            |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}      | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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