LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 160** HLS 12RS 579
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 12, 2012 11:38 AM **Author:** RITCHIE
Dept./Agy.: Department of Insurance
Subject: Require certain additional insurers to pay annual financial **Analyst:** Alan M. Boxberger

INSURANCE COMMISSIONER EN -$8,000 SG RV See Note
Requires certain additional insurers to pay an annual financial regulation fee assessed by the commissioner of insurance

Present law assesses insurers for financial regulation by the commissioner of insurance in one of two ways: payment of expenses incurred by the commissioner in conducting an examination, including the expenses and fees of examiners, auditors, accountants, actuaries, attorneys or clerical or other assistants who are employed by the commissioner to make the examination, or by payment of an annual financial regulation fee of $1,000. Proposed law adds vehicle mechanical breakdown insurers and property residual value insurers among those that are assessed an annual financial regulation fee of $1,000.

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

REVENUES	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	($8,000)	($8,000)	($8,000)	($8,000)	($8,000)	**($40,000)**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**($8,000)**	**($8,000)**	**($8,000)**	**($8,000)**	**($8,000)**	**($40,000)**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The proposed law establishes an annual financial regulation fee of $1,000 on each vehicle mechanical breakdown (VMB) insurer and property residual value (PRV) insurer operating in the state. There are currently 9 domestic and 28 foreign insurers issuing these types of policies in the state that will be impacted by the annual fee.

REVENUE EXPLANATION

The proposed law requires the LDI to collect an annual financial regulation fee of $1,000 each from 37 vehicle mechanical breakdown (VMB) and property residual value (PRV) insurers, domestic and foreign, offering VMB and/or PRV policies in the state. The annual financial regulation fee will generate $37,000 annually ($1,000 X 37 insurers). Under current law, LDI collects examination costs of approximately $25,000 from the 9 domestic insurers at time of examination. The current examination cost reimbursements generate approximately $225,000 in every five year period (9 domestic insurers X $25,000 = $225,000), which will cease under proposed law. The proposed law will generate approximately $185,000 in every five year period (37 domestic and foreign insurers X $1,000 annual fee X 5 years = $185,000). The difference between current law and proposed law is a decrease of $40,000 in SGR over a five year period, or an annual reduction of approximately $8,000 ($40,000/5 years = $8,000). This calculation assumes the count of domestic and foreign VMB and PRV insurers remains static at 37. Any increase or decrease in the number of insurers offering policies in the state would adjust the revenue change by $1,000 annually per insurer.

NOTE: LDI currently conducts an examination and analysis of only the *domestic insurers'* financial condition once every five years and bills the examination fees as per R.S. 22:1985(A) to each insurer at time of the exam at a cost of approximately $25,000 each. The proposed law does not change the examination contents or frequency. The proposed law establishes an annual financial regulation fee on all insurers providing VMB and PRV policies. R.S. 22:1985(B) states that, "for all entities who are charged the annual financial regulation fee as provided in R.S. 22:821(B)(2), the charges for any financial examination shall be waived." By placing an annual financial regulation fee on this category of insurers, the proposed law requires LDI to cease billing examination fees to the insurer. LDI does not conduct the financial condition examination of foreign insurers.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)1 >= $500,000 Annual Fiscal Cost {S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Staff Director