Individual State Agency Fiscal Note

Bill Number: 6144 SB	Title: Insurance implement. credits	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.0	1.0	0.5	0.4	0.4
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	142,206	142,206	107,499	107,499
Total $	0	142,206	142,206	107,499	107,499

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Clinton McCarthy	Phone: 360-786-7319	Date: 01/14/2020
Agency Preparation:	Scott Bird	Phone: (360) 725-7169	Date: 01/27/2020
Agency Approval:	AnnaLisa Gellermann	Phone: 360-725-7106	Date: 01/27/2020
OFM Review:	Jason Brown	Phone: (360) 902-0539	Date: 02/03/2020

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Sections 1(7)&(8) and 2(4)&(5) exempts implementation credits in compliance with section 3 of this act, and performance standards in compliance with section 4 of this act, from the prohibition on inducements to insurance.

Section 3(1) requires insurers to describe any implementation credits provided to a policyholder, along with the process that the policyholder must follow to document an expense in order for it to be paid, in the group insurance policy and file the policy with the Office of Insurance Commissioner (OIC).

Section 3(2) requires that the dollar amount of implementation credits offered to a policyholder be based on the size of the group plan being implemented. A group covering more than one thousand covered lives may offer implementation credits of up to one million dollars, a group covering fifty-one to one thousand covered lives may be offered implementation credits of up to $500,000 and a group covering fifty or fewer covered lives may be offered implementation credits of up to $50,000.

Section 3(3) allows for an implementation credit not to be actuarially justified but requires that the premium rate filing must include a certification by a member of the American Academy of Actuaries, or other person approved by the OIC, that the implementation credit is considered in the premium development and the benefits provided are reasonable in relation to the premium charged.

Section 4(3) requires that if an insurance contract contains any performance standards, the insurer must describe the performance standards in the insurance contract and file the contract with the OIC.

Section 4(5) authorizes the OIC to adopt rules to implement this section.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

In FY 2021 and thereafter, the OIC makes the following assumptions:

- 1,310 annual health plan filings from 18 carriers will be received each year based on CY2019 filing volumes. OIC expects that it will be required to review 315 of the health plan filings in the first year and 63 health plan filings each year thereafter.
- 8,260 annual health plan rate filings will be received each year based on CY2019 filing volumes. OIC expects that each year 5% of the rate filings will require actuarial review.

Section 3(1) requires insurers to describe any implementation credits provided to a policyholder, along with the process that the policyholder must follow to document an expense in order for it to be paid, in the group insurance policy and file the policy with the Office of Insurance Commissioner (OIC). An implementation credit is part of the premium for insurance premium tax purposes and must be included in the rate schedule for the

policy.

Section 3(3) requires that the premium rate filing must include a certification by a member of the American Academy of Actuaries, or other person approved by the OIC, that the implementation credit is considered in the premium development and the benefits provided are reasonable in relation to the premium charged.

Section 4(3) requires that if an insurance contract contains any performance standards, the insurer must describe the performance standards in the insurance contract and file the contract with the OIC.

In FY2021, the OIC will require one-time costs of 16 hours of a Functional Program Analyst 4 to develop new group policy and rate review standards, checklist documents, and train staff. In FY2021, OIC assumes 5% of the 8,260 health plan rate filings and 319 health plan filings will be required to be reviewed each year requiring 826 hours (8,260 filings x 5% x 2 hours) of an Actuarial Analyst 3 and 79 hours (319 health plan filings x 15 minutes) of a FPA4 to review health plan filings. In FY2022 and each year thereafter, due to an assumed increase in compliance by carriers, the OIC estimates a reduced review time for the health plan rate filings of 30 minutes per filing requiring 207 hours (8,260 x 5% x 30 minutes) of an Actuarial Analyst 3. Also, OIC expects to review a reduced number but unique set of 63 health plan filings that require ongoing scrutiny requiring 16 hours (63 filings x 15 minutes) of a FPA4.

Beginning in FY2021, the OIC estimates that there will be five enforcement cases each year to address companies that are non-compliant with the new law. Each enforcement case will require 65 hours of an Investigator 3, 5 hours of an Insurance Enforcement Specialist, and 8 hours of a Paralegal 2. Of the total cases, OIC estimates that 10% or one case every other year will advance to administrative hearing requiring 40 hours of an Insurance Enforcement Specialist, and 32 hours of a Paralegal 2

Section 4(5) authorizes the OIC to adopt rules. Simple rule making is required in FY2021 to amend WACs 284-43-6520 and 284-43-6560 to support necessary revisions to current filing regulations.

Ongoing costs:
Salary, benefits and associated costs for .01 FTE Functional Program Analyst 4; .02 FTE Insurance Enforcement Specialist; .02 FTE Paralegal 2; and .20 FTE Investigator 3.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
138-1	Insurance Commissioners Regulatory Account	State	0	142,206	142,206	107,499	107,499
		Total $	0	142,206	142,206	107,499	107,499

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		1.0	0.5	0.4	0.4
A-Salaries and Wages		84,404	84,404	63,364	63,364
B-Employee Benefits		29,361	29,361	22,635	22,635
C-Professional Service Contracts					
E-Goods and Other Services		28,441	28,441	21,500	21,500
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	142,206	142,206	107,499	107,499

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2020	FY 2021	2019-21	2021-23	2023-25
Actuarial Analyst 3	90,420		0.5	0.3	0.1	0.1
Functional Program Analyst 4	76,128		0.1	0.1	0.0	0.0
Insurance Enforcement Specialist	87,108		0.0	0.0	0.0	0.0
Investigator 3	72,432		0.2	0.1	0.2	0.2
Paralegal 2	68,892		0.0	0.0	0.0	0.0
Senior Policy Analyst	91,896		0.1	0.1		
Total FTEs			1.0	0.5	0.4	0.4

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 4(5) authorizes the Office of Insurance Commissioner to adopt rules.. Simple rule making is required in FY2021 to amend WACs 284-43-6520 and 284-43-6560 to support necessary revisions to current filing regulations.