Multiple Agency Fiscal Note Summary

Bill Number: 6331 SB	**Title:** Captive insurers

Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of Insurance Commissioner	1,480,000	1,480,000	3,150,000	3,150,000	3,165,000	3,165,000
Total $	**1,480,000**	**1,480,000**	**3,150,000**	**3,150,000**	**3,165,000**	**3,165,000**

Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Office of Insurance Commissioner	.0	0	35,530	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**35,530**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

NONE

Prepared by: Jason Brown, OFM	**Phone:** (360) 902-0539	**Date Published:** Final 2/ 5/2020

FNPID: 59556

FNS029 Multi Agency rollup

Department of Revenue Fiscal Note

Bill Number: 6331 SB	Title: Captive insurers	Agency: 140-Department of Revenue

Part I: Estimates

[X] **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

NONE

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).

[X] Capital budget impact, complete Part IV.

[ ] Requires new rule making, complete Part V.

Legislative Contact:	Kellee Gunn	Phone: 786-7429	Date: 01/15/2020
Agency Preparation:	Tyler McLeod	Phone: 360-534-1531	Date: 01/21/2020
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 01/21/2020
OFM Review:	Ramona Nabors	Phone: (360) 902-0547	Date: 01/29/2020

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.

This bill extends the business and occupation tax exemption in RCW 82.04.320 to Washington captive insurers.

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.

This legislation results in no revenue impact to taxes administered by the Department of Revenue.

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.

The Department of Revenue will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

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

NONE

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

NONE

None.

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 6331 SB	Title: Captive insurers	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2020	FY 2021	2019-21	2021-23	2023-25
General Fund-State 001-1		1,480,000	1,480,000	3,150,000	3,165,000
Total $		1,480,000	1,480,000	3,150,000	3,165,000

Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	35,530	35,530	0	0
Total $	0	35,530	35,530	0	0

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:	Kellee Gunn	Phone: 786-7429	Date: 01/15/2020
Agency Preparation:	Scott Bird	Phone: (360) 725-7169	Date: 01/20/2020
Agency Approval:	Bryon Welch	Phone: 360-725-7037	Date: 01/20/2020
OFM Review:	Jason Brown	Phone: (360) 902-0539	Date: 01/21/2020

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.

Section 4(1) requires that, within 120 days after the effective date of this section, a WA captive insurer must register with the Office of Insurance Commissioner (OIC). Upon a captive furnishing evidence of good standing in its state of domicile and paying a tax (registration fee) of $2,500, a captive insurer is entitled to receive a certificate of captive authority as a registered WA captive insurer.

Section 4(2) allows a captive insurer to renew its certificate of captive authority by paying a tax (renewal fee) not to exceed $2,500 per year.

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.

Section 4(1) requires that, within 120 days after the effective date of this section, a WA captive insurer must register with the Office of Insurance Commissioner (OIC). Upon a captive furnishing evidence of good standing in its state of domicile and paying a tax (registration fee) of $2,500, a captive insurer is entitled to receive a certificate of captive authority as a registered WA captive insurer. Section 4(2) allows a captive insurer to renew its certificate of captive authority by paying a tax (renewal fee) not to exceed $2,500 per year.

While the OIC does not have data concerning the number of companies which may utilize independent procurement, the Department of Revenue (DOR) for FY2019, has confirmed there were a total of 2,366 companies with gross income greater than $50 million per year paying taxes to DOR. If the OIC takes just 25% of the (2,366 X 25%), we estimate approximately 592 exempt commercial purchasers will directly procure insurance beginning in fiscal year (FY) 2021. We estimate an additional 35 (2,366 X 1.5%), exempt commercial purchasers in FY 2022, an additional 6 (2,366 x .25%) in FY 2023 and then assume the number will hold steady at 633 every year thereafter.

FY2021: $1,480,000 (592 registrations x $2,500)

FY2022: $1,567,500 (35 registrations and 592 registration renewals x $2,500)

FY2023: $1,582,500 (6 registrations and 627 registration renewals x $2,500)

FY2024 and after: $1,582,500 (633 registration renewals x $2,500)

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.

Section 4(1) requires that, within 120 days after the effective date of this section, a WA captive insurer must register with the Office of Insurance Commissioner (OIC). Upon a captive furnishing evidence of good standing in its state of domicile and paying a tax (registration fee) of $2,500, a captive insurer is entitled to receive a certificate of captive authority as a registered WA captive insurer. Section 4(2) allows a captive insurer to renew its certificate of captive authority by paying a tax (renewal fee) not to exceed $2,500 per year. The OIC will be

required to make changes to its information technology (IT) systems to enable the agency's existing licensing/registration system and online e-commerce portal website to process licenses and renewals online for captive insurers. The changes to IT systems would include a combination of system configuration changes and software programming enhancements. The OIC's IT staff will implement these changes in-house to ensure that the system changes align with existing IT infrastructure and technical approaches that the OIC uses in its other online licensing/registration portal systems and e-commerce websites. The cost estimate for the system changes and new software development is assumed to be a one-time cost and estimated at 336 hours over one month utilizing five IT staff. The cost estimate is based on half of the cost to implement the Pharmacy Benefit Manager registration/renewal process, which the agency completed in late 2016.

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	35,530	35,530	0	0
		Total $	0	35,530	35,530	0	0

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years					
A-Salaries and Wages		21,486	21,486		
B-Employee Benefits		6,938	6,938		
C-Professional Service Contracts					
E-Goods and Other Services		7,106	7,106		
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	35,530	35,530	0	0

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*

NONE

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