Individual State Agency Fiscal Note

Bill Number: 5010 SB	Title: Credit score/insurance rates	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	0.5	0.3	0.0	0.0
Account					
Insurance Commissioners Regulatory Account-State 138-1	11,304	77,541	88,845	0	0
Total $	11,304	77,541	88,845	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.

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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(2) removes the exception that allows insurers to use credit history to determine personal insurance rates, premiums, or eligibility for coverage as long as the insurance scoring models and all rates and rating plans for that line of coverage are filed with the Office of Insurance Commissioner (OIC). This section applies to all personal insurance policies issued or renewed on or after January 1, 2023.

Section 5(2) requires that prior to January 1, 2023, if an insurer's filed rates and rating rules for personal insurance use credit history, the insurer must submit a filing to remove the use of credit from its rates and rating rules.

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.

Section 4(2) removes the exception that allows insurers to use credit history to determine personal insurance rates, premiums, or eligibility for coverage as long as the insurance scoring models and all rates and rating plans for that line of coverage are filed with the Office of Insurance Commissioner (OIC). This section applies to all personal insurance policies issued or renewed on or after January 1, 2023.

Section 5(2) requires that prior to January 1, 2023, if an insurer's filed rates and rating rules for personal insurance use credit history, the insurer must submit a filing to remove the use of credit from its rates and rating rules.

Based on the credit history related insurance scoring models, and rates and rating plans, the Office of Insurance Commissioner (OIC) receives each year, it is estimated that a total of 200 application form filings and 200 rate filings will be submitted in FY2023 by insurers in order to remove credit from their rating plans and refine their non-credit rating plans to adjust to the new market. Each application form filing requires 1.5 hours of staff time for review. For rate filings, most insurers will want to overhaul their remaining rating factors to optimize for the post-credit environment; these filings will be difficult, complex filings. Others will take a more straightforward approach, simply removing credit and leaving the remainder of their rating plans unchanged. The OIC assumes the new rate filings will average 5 hours each. However, because time spent on the new rate filings will be partially offset, since the filings will replace other regular filings some of the insurers would have otherwise submitted, the additional required staff time is reduced by 2 hours per rate filing for a total of 3 hours of staff time per new rate filing.

In FY2023, one-time costs of 1.5 hours of review time per application form filing, or a total of 300 hours (1.5 hours per filing x 200 application form filings), of a Functional Program Analyst 4 (100 hours) and a Functional Program Analyst 3 (200 hours); and one-time costs of 3 hours of review time per rate filing, or a total of 600 hours (3 hours per filing x 200 rate filings), of an Actuary 2 (200 hours), Actuarial Analyst 3 (200 hours) and Actuarial Analyst 2 (200 hours) will be required.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
138-1	Insurance Commissioners Regulatory Account	State	11,304	77,541	88,845	0	0
		Total $	11,304	77,541	88,845	0	0

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	0.5	0.3		
A-Salaries and Wages	6,719	45,983	52,702		
B-Employee Benefits	2,324	16,050	18,374		
C-Professional Service Contracts					
E-Goods and Other Services	2,261	15,508	17,769		
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 $	11,304	77,541	88,845	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*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Actuarial Analyst 2	64,332		0.1	0.1		
Actuarial Analyst 3	86,484		0.1	0.1		
Actuary 2	122,220		0.1	0.1		
Functional Program Analyst 3	70,956		0.1	0.1		
Functional Program Analyst 4	78,408	0.0	0.1	0.1		
Senior Policy Analyst	91,896	0.1		0.0		
Total FTEs		0.1	0.5	0.3		0.0

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

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

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.

Simple rulemaking, in FY2022, is required in order to repeal chapter 284-24A WAC.