Individual State Agency Fiscal Note

Bill Number: 5527 SB	Title: Insurance Policy Sublimits of Coverage	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	0.0	0.3	0.2	0.0	0.0
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	35,838	35,838	10,932	10,932
Total $	0	35,838	35,838	10,932	10,932

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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Agency Preparation:	Michael Walker	Phone: 360-725-7036	Date: 01/11/2022
Agency Approval:	Mark Dietzler	Phone: 360-725-7106	Date: 01/11/2022
OFM Review:	Jason Brown	Phone: (360) 742-7277	Date: 01/13/2022

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 1(5) requires the declarations page on residential policies to include a listing of all sublimits of coverage within th insurance policy, including any endorsements, and show either the amount of coverage, the percentage of coverage, or both, that is being limited below the overall policy coverage limits. The entire declarations page must be delivered to the insured at every policy renewal.

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 1(5) requires the declarations page on residential policies to include a listing of all sublimits of coverage within th insurance policy, including any endorsements, and show either the amount of coverage, the percentage of coverage, or both, that is being limited below the overall policy coverage limits. The entire declarations page must be delivered to the insured at every policy renewal.

All insurers issuing residential property policies will be required to make a one-time filing of their amended declarations page. There are currently 130 insurers issuing approximately 200 residential policies each year. In FY2023, one-time costs of two hours of review time per declaration page filing, or a total of 400 hours (2 hours x 200 filings), of a Functional Program Analyst 3 will be required.

OIC also anticipates one additional enforcement action each year to address the new sublimit provisions. Investigations generally take anywhere between 25-80 hours per case and enforcement actions require the equivalent of approximately 25-80 hours per case. For purposes of this fiscal note, it is assumed that investigations will require an average of 25 hours per case and enforcement actions will require an average of 25 hours per case requiring 25 hours of an Investigator 3 and 25 hours of an Insurance Enforcement Specialist beginning in FY2023.

Ongoing costs:
Salary, benefits and associated costs for .02 FTE Investigator 3 and .02 FTE Insurance Enforcement Specialist.

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	0	35,838	35,838	10,932	10,932
		Total $	0	35,838	35,838	10,932	10,932

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.3	0.2	0.0	0.0
A-Salaries and Wages		20,988	20,988	6,498	6,498
B-Employee Benefits		7,682	7,682	2,248	2,248
C-Professional Service Contracts					
E-Goods and Other Services		7,168	7,168	2,186	2,186
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	35,838	35,838	10,932	10,932

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
Functional Program Analyst 3	70,956		0.3	0.1		
Insurance Enforcement Specialist	87,852		0.0	0.0	0.0	0.0
Investigator 3	74,604		0.0	0.0	0.0	0.0
Total FTEs			0.3	0.2	0.0	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