

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3876-01
BILL NO.: HB 1597
SUBJECT: Insurance - General; Insurance Department
TYPE: Original
DATE: February 4, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state they anticipate that current appropriations and staff would be able to absorb the work for implementation of this single proposal. However, if additional proposals are approved during the legislative session, INS may need to request an increase in appropriations due to the combined effect of multiple proposals. INS also states there are approximately 275 surplus lines brokers currently carrying a \$10,000 bond. INS states the state collects an average of \$7 to \$8 million in premium tax annually from surplus lines brokers. INS states the exposure to potential loss under current bonding requirements is sufficient. INS anticipate that changing the bonding requirements would probably provide a small increase in premium tax but an estimate would be difficult.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small surplus lines brokers would be fiscally impacted to the extent they would incur additional cost of the bonding requirements included in this proposal.

DESCRIPTION

This proposal would amend the bonding amount required for insurance brokers selling surplus lines insurance so as to be the greater of \$10,000 or an amount equal to the broker's tax liability for the previous tax year. Currently, a bond of \$10,000 is required.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. NO. 3876-01
BILL NO. SB 1597
PAGE 3 OF 3
February 4, 2000

SOURCES OF INFORMATION

Department of Insurance

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
February 4, 2000