

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0346-01
Bill No.: HB 260
Subject: Credit and Bankruptcy; Insurance - General; Insurance Department
Type: Original
Date: February 12, 2013

Bill Summary: This proposal changes the laws regarding the use of credit information when underwriting insurance contracts and prohibits insurers from taking adverse actions based on a person's credit report or insurance score.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Insurance Dedicated	Up to \$24,500	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	Up to \$24,500	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** estimates up to 490 insurers would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the department for review along with a \$50 filing fee. One time additional revenues to the Insurance Dedicated Fund are estimated to be up to \$24,5000.

Additional staff and expenses are not being requested with this single proposal but if multiple proposals pass during the legislative session which require policy form reviews the department will need to request additional staff to handle increase in workload.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
INSURANCE DEDICATED FUND			
<u>Revenue - DIFP</u>			
Amendment filing fee	<u>Up to \$24,500</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>Up to \$24,500</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal changes the laws regarding the use of credit information when underwriting insurance contracts. In its main provisions, the proposal:

- (1) Revises the definition of "adverse action" to have the same meaning as in the federal Fair Credit Reporting Act including cancellation, denial, and non renewal of personal insurance coverage and creating any reduction or adverse or unfavorable change in the terms of coverage, including charging higher premiums due to a person's credit history or insurance credit score;
- (2) Revises the definition of "contract" as any insurance policy issued in this state other than a policy of mortgage insurance or commercial insurance;
- (3) Prohibits an insurer from taking an adverse action against a new applicant based on an inability to calculate an insurance score in underwriting or rating personal insurance without consideration of another noncredit-related underwriting factor or based on information that is the subject of a written dispute between the applicant and a consumer reporting agency; and
- (4) Prohibits an insurer from using a credit report or insurance credit score as a factor in underwriting or taking any adverse action based on a credit report or insurance credit score against a person currently insured under an existing insurance contract with the insurer.

The provisions of the proposal apply to contracts entered into or renewed on or after January 1, 2014.

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

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration



Ross Strope
Acting Director

L.R. No. 0346-01
Bill No. HB 260
Page 5 of 5
February 12, 2013

February 12, 2013

LO:LR:OD