

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7444

BILL NUMBER: HB 1452

NOTE PREPARED: Feb 23, 2007

BILL AMENDED: Feb 23, 2007

SUBJECT: Insurance Producers and Policy Forms.

FIRST AUTHOR: Rep. Klinker

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill specifies policy form filing requirements for a policy of accident and sickness insurance. It removes the definition of "compensation" from the law concerning compensation to insurance producers or representatives for the sale of long-term care policies.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Summary:* In order to implement the provisions of the bill, the Department of Insurance (DOI) will need to hire two health insurance policy analysts, two property and casualty analysts, one life insurance analyst, and one commercial policy analyst. Costs for the six additional staff are estimated to be approximately \$315,000 in FY 2008 and \$309,000 annually in years after.

(Revised) Background Information: The bill requires the DOI to create a document containing a list of all product filing requirements for each type of insurance, with appropriate citations to the law, administrative rule, or bulletin that specifies the requirement, including the citation for the type of insurance to which the requirement applies. The commissioner must make the document available on the DOI Internet site. The commissioner must update the document at least annually and not more than 30 days following any change in a filing requirement.

The commissioner must review a policy form filing and has 30 days to approve the filing or provide written notice of a determination that deficiencies exist in the filing or that the commissioner disapproves the filing. A written notice provided by the commissioner must cite specific requirements not met by the filing. The written notice must state the reasons for the determination in sufficient detail to enable the filer to bring the policy form into compliance with the requirements not met by the filing.

A filer may resubmit an amended filing and correct deficiencies. If a policy form is not resubmitted within 30 days after receipt of the written notice, the commissioner's determination is final. The commissioner has not more than 30 days to review the resubmission and approve or provide written notice that the commissioner disapproves the resubmitted policy form. The written notice of disapproval must cite specific requirements not met by the filing and must state the reasons in detail. The commissioner's approval or disapproval of a resubmitted policy form is final, except that the commissioner may allow the filer to resubmit if in the filer's resubmission, the filer introduced new provisions or materially modified a substantive provision of the policy form. If the commissioner allows a filer to resubmit a further revised policy form, the filer must resubmit not more than 30 days after notice. The commissioner must issue a final determination in not more than 30 days.

If the commissioner disapproves a policy form filing, the commissioner must notify the filer of the filer's right to a hearing. The policy form may not be disapproved unless it contains a material error or omission. At any hearing conducted, the commissioner must prove that the policy form contains a material error or omission.

The DOI receives 10,900 property and casualty filings per year. The work load for health insurance is comparable. Life and annuity filings equal about 3,020 in a year. Accident and health filings equal 2,214 filings in a year. In order to implement the provisions of the bill, the Department will need to hire two health insurance policy analysts, two property and casualty analysts, one life insurance analyst, and one commercial policy analyst. Costs for the six additional staff are estimated to be approximately \$315,000 in FY 2008 and \$309,000 in years after.

The funds and resources required could be supplied through existing staff and resources currently being used in another program; authorized, but vacant, staff positions, including those positions that would need to be reclassified; funds that, otherwise, would be reverted; or new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

For FY2006, the DOI reverted almost \$240,000 in state General Fund revenue.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOI.

Local Agencies Affected:

Information Sources: DOI.

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