

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6832

BILL NUMBER: SB 266

NOTE PREPARED: Dec 29, 2009

BILL AMENDED:

SUBJECT: Notice of insurance after fire or explosion.

FIRST AUTHOR: Sen. Arnold

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires certain insurers to (1) notify enforcement authorities in a municipality concerning the existence of coverage for a building or structure that is located in the municipality and damaged by fire or explosion; and (2) provide for a set aside of insurance proceeds payable with regard to the building or structure. (Currently, the law applies to certain cities.) The bill revises current language to clarify the process for notices. It repeals a definition rendered unnecessary by the act.

Effective Date: July 1, 2010.

Explanation of State Expenditures: *Department of Insurance (DOI).* The bill could increase administrative expenses for the Department of Insurance (DOI) to the extent that the DOI modifies rules, guidelines, or publications to incorporate the new requirements. Additionally, violators may be subject to a hearing by the Commissioner of Insurance. The DOI should be able to handle any increases in administrative costs given its existing level of resources.

Explanation of State Revenues: As a result of a hearing, violators may be ordered to cease and desist and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may not be more than \$50,000 for each violation. All civil penalties imposed and collected are deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill could result in municipalities receiving insurance proceeds to

recoup certain costs incurred for demolition or rehabilitation of damages to a building or structure caused by a fire or explosion. The specific impact will depend on the number and nature of damages caused by fire or explosions. The bill applies to damage occurring by fire or explosion after June 30, 2010.

State Agencies Affected: DOI.

Local Agencies Affected: Municipalities.

Information Sources:

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