

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6512
BILL NUMBER: SB 293

NOTE PREPARED: Apr 7, 2011
BILL AMENDED:

SUBJECT: License Branch Contractor Insurance.

FIRST AUTHOR: Sen. Holdman
FIRST SPONSOR: Rep. Mahan

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill limits the liability insurance coverage requirement for a partial service license branch contractor to \$2 million and requires indemnification of the Bureau of Motor Vehicles Commission for additional liability.

Effective Date: July 1, 2011.

Explanation of State Expenditures: This bill requires contractors who operate license branches of the Bureau of Motor Vehicles (BMV) to provide liability insurance coverage of \$2 M per occurrence and provide indemnification to the BMV Commission for liabilities in excess of \$2 M and less than \$5 M per occurrence. Currently, contractors are required to provide indemnification to the BMV Commission, but there is no specific required amount. This bill may increase contractor expenses which may be passed on to the state in the form of higher cost estimates in requests for proposals (RFPs). Any increase in BMV contracting expenditures is indeterminable.

Explanation of State Revenues: Currently, contractors are required to maintain a minimum coverage of \$700,000 per person and \$5 M per occurrence of general aggregate commercial liability insurance. The bill would require contractors to maintain \$2 M per occurrence of general aggregate commercial liability insurance (which is \$3 M less than they currently maintain) as well as a specified amount of indemnification coverage. By requiring contractors who operate license branches of the BMV to maintain a different amount of insurance coverage, this bill may change revenue the state receives from the Insurance Premium Tax. Changes in state revenue are indeterminable.

Background Information: The state receives tax revenue from gross premiums received by insurance companies on (1) insurance policies covering risks within the state during the year or (2) insurance policies made, written, or renewed during the year on marine or transportation risks, minus deductions for reinsurance premiums, dividends paid to resident insureds, and premiums returned. The state tax rate on insurance premiums is 1.3%. In FY 2010, the insurance premium tax accounted for approximately \$176.5 M to the General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: BMV.

Local Agencies Affected:

Information Sources: Danielle Roessing, BMV; Mark Goodrich, BMV.

Fiscal Analyst: Bill Brumbach, 232-9559.