

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** S.B. 562 Proposed Senate Finance Committee Substitute Insurance Fee Repeals and Increases

**SHORT TITLE:** Insurance Fee Repeals and Increases

**SPONSOR(S):**

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>
<b>REVENUES</b>					
<b>Dept. of Insurance</b>	<b>(\$14,100)</b>	<b>(\$14,100)</b>	<b>(\$14,100)</b>	<b>(\$14,100)</b>	<b>(\$14,100)</b>
<b>General Fund</b>	<b>* See Assumptions and Methodology *</b>				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> North Carolina Department of Insurance.					
<b>EFFECTIVE DATE:</b> When it becomes law.					

**BILL SUMMARY:** The bill makes several changes to the fees and administrative procedures associated with the Department of Insurance. Section 1 repeals the fee provisions in G.S. 58-6-5(5). This fee of \$20.00 is currently charged for each policy form filed with the Department, as well as every property, casualty, life, accident, or health rate filing. Section 2 makes some technical corrections to G.S. 58-6-7 and increases the annual license fee for all insurance companies that are not farmer's mutual assessment fire, a fraternal order, or a mutual burial association. This section increases the fee charged from \$500.00 to \$1000.00. It also clarifies that all fees and charges collected by the Commissioner under G.S. 58 are nonrefundable. Section 3 increases the renewal fee for risk retention groups from \$500.00 to \$1,000.00. Section 4 of the bill increases the annual license renewal fees from title insurance companies and land mortgage companies from \$500 to \$1,000. Section 5 increases the annual license fee for non-profit hospital service organizations from \$500 to \$1,000. Section 6 changes the fees charged to Health Maintenance Organizations. The bill maintains the current \$250.00 license application filing fee, but increases the license renewal fee to \$1000 (under current law the renewal fee is \$500). It also eliminates the \$100 annual report-filing fee. Section 7 alters the use of funds derived from certain record and asset examinations. Under current law the Commissioner can charge the insurer for the actual expenses associated with an examination if 1) the insurer maintains at least part of its records or assets out of state, 2) the insurer requests an examination of their records, or 3) the Commissioner examines an insurer that is impaired, insolvent, or

unlikely to meet its obligations. The revenue from these fees is currently deposited in the insurance regulatory fund. Under the bill these funds are used to offset the expenses incurred by the Department.

**ASSUMPTIONS AND METHODOLOGY:** Under Section 1 of the bill G.S. 58-6-5(5) is repealed. The Department of Insurance reports the following revenue stream from the fees outlined in G.S. 58-6-5(5):

1998-99*	848,447
1997-98	754,061
1996-97	690,794

\* Indicates that this is an estimated amount.

The Department believes that these collections will level off in future years. They suggest that the current upward trend is a result of a recent change in the workers compensation ratemaking law. This fiscal note assumes the potential loss from the repeal of these fees will be approximately \$900,000 per year.

Sections 2, 3, 4, 5 and 6 all increase an annual fee from \$500 to \$1000. The Department of Insurance reports that 1,777 insurers currently pay the \$500 fee. Assuming the number of companies who pay the fee remains constant, the fee increases from \$500 to \$1000 will generate \$888,500 in additional revenue.

Section 6 also eliminates a \$100 annual filing fee for HMOs. The Department indicates that there are 26 licensed HMOs that pay the \$100 filing fee repealed in Section 6. Assuming all 26 HMOs continue to pay, and no additional HMOs are added, this creates a \$2,600 loss.

Section 7 modifies legislation passed during the 1998 Session. The Department is interested in this language change because they believe the current law is unclear. The Department believes the intent of the legislation passed last year was that the examination fees collected by the Department are for use by the Department. The Department believes the funds generated should not revert to the General Fund. Under the existing language the revenue has reverted to the General Fund. This section of the bill clarifies that these are Department Funds. It has the net impact of ending any such reversion to the General Fund. No information is available at this time about the potential reversion amount. Therefore, no fiscal estimate is possible on this portion of the bill.

The total annual cost associated with the bill is as follows:

Repeal of G.S. 58-6-5(5)	(900,000)
Increased Fees	888,500
Eliminate HMO Filing Fees	(2,600)
TOTAL	(14,100)

**FISCAL RESEARCH DIVISION 733-4910**

**PREPARED BY:** Linda Struyk Millsaps

**APPROVED BY:** Tom Covington

**DATE:** Wednesday, July 07, 1999



**Signed Copy Located in the NCGA Principal Clerk's Offices**