HB 22-1357

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 22-0582	**Date:**	June 6, 2022
Prime Sponsors:	Rep. Weissman	**Bill Status:**	Postponed Indefinitely
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Bill Topic: **RATE INCREASES HOMEOWNER'S & AUTO INSURANCE**

Summary of Fiscal Impact:

☐ State Revenue
☒ State Expenditure
☒ State Diversion
☐ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

The bill would have required the Commissioner of Insurance to approve rate increases for private passenger motor vehicle and homeowner's insurance prior to insurers using the rates. The bill would have increased state expenditures on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill would have required an appropriation of $453,269 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HB 22-1357

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	Cash Funds	$453,269	$490,635
	Centrally Appropriated	$130,904	$150,057
	Total Expenditures	**$584,173**	**$640,692**
	Total FTE	**5.1 FTE**	**6.0 FTE**
Diversions	General Fund	($584,173)	($640,692)
	Cash Funds	$584,173	$640,692
	Net Diversion	**$0**	**$0**
Other Budget Impacts		-	-

Summary of Legislation

Under current law, private passenger motor vehicle (auto) insurance and homeowner's insurance are Type II categories of insurance, meaning that insurers file their rates with the Commissioner of Insurance and use the rates immediately. The commissioner may review the rates after they are in effect and request changes going forward. This bill reclassifies both auto and homeowner's insurance as Type I insurance only when the insurer is filing for a rate increase. Insurers will be required to file rate increases, including rate filings in which existing products are discontinued along with an offer of a new product, and wait for the commissioner to review and approve or disapprove the rate filing. The commissioner has 60 days to complete this review. If the commissioner has not taken action in 60 days, the filing is deemed approved.

The bill adds the following standards to be considered when evaluating rates:

- rates for auto insurance are presumed excessive if the loss ratio is less than 75 percent; and
- rates for homeowner's insurance are presumed excessive if the loss ratio is less than 80 percent.

If the commissioner determines that rates are excessive and disapproves a rate filing, the insurer may rebut this presumption at a public hearing.

Background

The Division of Insurance currently receives approximately 375 file-and-use auto insurance filings and 275 file-and-use homeowner's insurance filings annually.

State Diversions

This bill diverts $584,173 from the General Fund in FY 2022-23 and $640,692 in FY 2023-24 to the Division of Insurance Cash Fund. This revenue diversion occurs because the bill increases costs in the Division of Insurance in the Department of Regulatory Agencies (DORA), which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases state expenditures in the Division of Insurance in DORA by $584,173 in FY 2022-23 and $640,692 in FY 2023-24 from the Division of Insurance Cash Fund. Expenditures are shown in Table 2 and detailed below.

Division of Insurance. The bill will increase expenditures for the division to process the filings subject to the bill within a 60-day deadline. Division staff will increase by 6.0 FTE, including 3.0 FTE rate and financial analysts and 3.0 FTE actuaries. To implement the bill, the Property and Casualty Rates and Forms section and the Actuarial Services section will reconfigure their workflows to prioritize filings that include a rate increase and perform the detailed rate analysis required to evaluate the filing within the 60-day timeframe. Staff will also draft new regulations and bulletins and participate in hearings. Standard operating and capital outlay costs are included, and staff are pro-rated for a September 1, 2022, start date.

Table 2
Expenditures Under HB 22-1357

	FY 2022-23	FY 2023-24
Department of Regulatory Agencies		
Personal Services	$409,184	$482,535
Operating Expenses	$6,885	$8,100
Capital Outlay Costs	$37,200	-
Centrally Appropriated Costs[1]	$130,904	$150,057
Total Cost	**$584,173**	**$640,692**
Total FTE	**5.1 FTE**	**6.0 FTE**

[1] *Centrally appropriated costs are not included in the bill's appropriation.*

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Effective Date

The bill was postponed indefinitely by the House Finance Committee on April 25, 2022.

State Appropriations

For FY 2022-23, the bill requires an appropriation of $453,269 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies and 5.1 FTE.

Local Government Contacts

Information Technology Law Regulatory Agencies