



Legislative
Council Staff

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**REVISED
FISCAL NOTE**

(replaces fiscal note dated April 8, 2019)

| | |
|-------------------------------------|--------------------------------------------------------------------------|
| Drafting Number: LLS 19-1040 | Date: April 12, 2019 |
| Prime Sponsors: Rep. Roberts | Bill Status: House Appropriations |
| Sen. Rodriguez | Fiscal Analyst: Max Nardo 303-866-4776 max.nardo@state.co.us |

Bill Topic: DISCLOSURE OF INSURANCE LIABILITY COVERAGE

Summary of Fiscal Impact:

| | |
|----------------------------------------------------------------------|--------------------------------------------------|
| <input checked="" type="checkbox"/> State Revenue (<i>minimal</i>) | <input type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

The bill requires insurers that provide automobile liability insurance to disclose to claimants the limits of the insured party's liability coverage and to provide a copy of the insurance policy upon request. The bill increases state revenue and expenditures, and creates a diversion from the General Fund, on an ongoing basis.

Appropriation Summary: For FY 2019-20, the bill requires an appropriation of \$12,599 to the Department of Regulatory Agencies.

Fiscal Note Status: The revised fiscal note reflects the introduced bill as amended by the House Judiciary Committee.

**Table 1
State Fiscal Impacts Under HB 19-1283**

| | | FY 2019-20 | FY 2020-21 |
|---------------------|------------------------|-----------------|-----------------|
| Revenue | | - | - |
| Expenditures | Cash Funds | \$12,599 | \$25,199 |
| | Centrally Appropriated | \$2,957 | \$5,912 |
| | Total | \$15,556 | \$31,111 |
| | Total FTE | 0.2 FTE | 0.4 FTE |
| Diversions | General Fund | (\$15,556) | (\$31,111) |
| | Cash Funds | \$15,556 | \$31,111 |
| | Total | \$0 | \$0 |
| TABOR Refund | | - | - |

Summary of Legislation

The bill requires insured parties and their insurers to disclose information regarding liability insurance coverage to individuals making claims. Upon written request, an insured party must disclose to a claimant the name and coverage of each known insurer. Insurers that provide commercial automobile or personal automobile liability insurance coverage are required to provide the claimant with the following information that may be relevant to the claim within 30 calendar days of receiving a written request:

- the name of the insurer;
- the name of each insured party;
- the limits of the liability coverage; and
- a copy of the policy.

An insurer that fails to comply with these requirements is liable for damages of \$100 per day, beginning on the thirty-first day following the receipt of the claimant's written request.

State Revenue

Beginning in FY 2019-20, this bill increases civil filing fee cash fund revenue by a minimal amount. Revenue will increase if the number of civil filings for failure to disclose increase. For informational purposes, the civil filing fee for county court ranges from \$85 to \$135 depending on the amount of damages sought, and \$235 for district court. Civil cases seeking damages of less than \$25,000 may be filed in county or district court, while cases seeking damages over \$25,000 must be filed in district court. Civil filing fees are subject to TABOR.

State Diversions

The bill diverts \$15,556 from the General Fund in FY 2019-20 and \$31,111 in FY 2020-21 and future years. 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 expenditures in DORA by \$15,556 and 0.2 FTE in FY 2019-20, and \$31,111 and 0.4 FTE in FY 2020-21, and future years. These costs are shown in Table 2 and described below.

Table 2
Expenditures Under HB 19-1283

| | FY 2019-20 | FY 2020-21 |
|---------------------------------------------|-------------------|-------------------|
| Department of Regulatory Agencies | | |
| Personal Services | \$12,409 | \$24,819 |
| Operating Expenses and Capital Outlay Costs | \$190 | \$380 |
| Centrally Appropriated Costs* | \$2,957 | \$5,912 |
| Total | \$15,556 | \$31,111 |
| Total FTE | 0.2 FTE | 0.4 FTE |

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

Department of Regulatory Agencies. The bill is expected to increase the volume of consumer complaints and requests for policy information submitted to the Division of Insurance in DORA. DORA received 654 personal automotive liability claim complaints in 2018, which take an average of 6 hours to address. The fiscal note assumes that knowing the precise limit of an insured party's liability coverage gives some claimants an incentive to seek a larger settlement amount. It is assumed that DORA will experience a 15 percent increase in liability claim complaints (98 per year), mostly related to unsatisfactory settlement offers. This will require 0.3 FTE to address. The Division is the registered agent for a significant number of insurers and maintains information on all other registered agents. As such, it requires 0.1 FTE to respond to requests for policy information. These impacts are prorated to reflect a half year of implementation in FY 2019-20. These costs will be paid from the Division of Insurance Cash Fund.

Judicial Department. An insurer or insured party that violates the disclosure requirement is liable to the requesting claimant for damages, attorney fees, and costs. To the extent that insurers and insured parties violate these requirements, it could increase workload in the trial courts, but any impact is assumed to be minimal and can be accomplished without a change in appropriations.

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 estimated to be \$2,957 in FY 2019-20, and \$5,912 in FY 2020-21 and future years.

Effective Date

The bill takes effect January 1, 2020, if no referendum petition is filed.

State Appropriations

For FY 2019-20, the bill requires an appropriation of \$12,599 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund, and an allocation of 0.2 FTE.

State and Local Government Contacts

Information Technology

Judicial

Regulatory Agencies