



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 21-0241 Date: February 22, 2021
Prime Sponsors: Rep. Snyder; Van Winkle Bill Status: House Business
Sen. Kolker Fiscal Analyst: Clare Pramuk | 303-866-2677
clare.pramuk@state.co.us

Bill Topic: DIVISION OF DOMESTIC STOCK INSURER

- Summary of Fiscal Impact:
State Revenue (checkbox)
State Expenditure (checked)
State Diversion (checked)
TABOR Refund (checkbox)
Local Government (checkbox)
Statutory Public Entity (checkbox)

This bill establishes a process for a Colorado domestic stock insurer to divide into two or more resulting insurers through a plan of division. It increases state expenditures and creates a General Fund diversion on an ongoing basis.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of \$10,729 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the bill as introduced.

Table 1
State Fiscal Impacts Under HB21-1013

Table with 4 columns: Category, Sub-category, Budget Year FY 2021-22, and Out Year FY 2022-23. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Diversion (General Fund, Cash Funds, Net Diversion), and TABOR Refund.

Summary of Legislation

This bill establishes a process for a Colorado domestic stock insurer to divide into two or more resulting insurers through a plan of division. After a dividing insurer's plan has been approved in accordance with the insurer's articles of incorporation and bylaws, the dividing insurer is required to file the plan with the Commissioner of Insurance in the Department of Regulatory Agencies. The commissioner is required to hold a public hearing under the State Administrative Procedures Act and find that certain requirements specified by the bill are met prior to approving a plan of division.

The commissioner is required to select and retain an independent expert to review the plan of division and issue a report to the commissioner. If the commissioner approves a plan of division, he is required to issue an order with findings of fact and conclusions of law, and a certificate of authority for each of the resulting insurers to transact business in the state. The commissioner may promulgate rules to implement the division process. A dividing insurer that files a plan of division must pay all expenses incurred by the commissioner for outside experts.

Assumptions

The fiscal note assumes that a dividing insurer will pay the expenses for the independent expert to review the plan of division as well as any other outside experts directly. The fiscal note assumes that one insurer will divide into two insurers in FY 2021-22 and two insurers will divide into four insurers in FY 2022-23, resulting in an overall increase of three insurers.

State Diversions

This bill diverts \$14,719 from the General Fund in FY 2021-22 and \$27,873 in FY 2022-23. This revenue diversion occurs because the bill increases costs in the Department of Regulatory Agencies, Division of Insurance, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

This bill increases cash funds expenditures by \$14,719 in and 0.2 FTE FY 2021-22 and \$27,873 and 0.3 FTE in FY 2022-23 for the Division of Insurance in the Department of Regulatory Agencies from the Division of Insurance Cash Fund. These costs are shown in Table 2 and described below.

Table 2
Expenditures Under HB 21-1013

	FY 2021-22	FY 2022-23
Department of Regulatory Agencies		
Personal Services	\$10,729	\$20,981
Centrally Appropriated Costs ¹	\$3,990	\$6,892
Total Cost	\$14,719	\$27,873
Total FTE	0.2 FTE	0.3 FTE

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

Department of Regulatory Agencies. The Division of Insurance requires additional financial examiner staff to review division plans, provide support for the public hearing, and retain and oversee the work of the independent expert. Each insurer division increases by one the number of insurers that will be subject to routine quarterly and annual financial oversight, which requires additional staff beginning in FY 2022-23. First year costs reflect an October 1, 2021, start date.

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 \$3,990 in FY 2021-22 and \$6,892 in FY 2022-23.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2021-22, the bill requires an appropriation of \$10,729 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies.

State and Local Government Contacts

Information Technology Regulatory Agencies