



Colorado Legislative Council Staff Fiscal Note
STATE
FINAL FISCAL IMPACT

Drafting Number: LLS 07-0895
Prime Sponsor(s): Sen. Veiga
 Rep. Rice

Date: June 7, 2007
Bill Status: Signed into Law
Fiscal Analyst: Gary J. Estenson (303-866-4976)

TITLE: CONCERNING THE APPLICATION OF EXISTING REGULATIONS TO PERSONS PERFORMING SERVICES IN CONNECTION WITH REAL ESTATE TRANSACTIONS.

Fiscal Impact Summary	FY 2007-08	FY 2008-09
State Revenue		
Division of Insurance Cash Fund	\$277,048	\$192,552
State Expenditures		
Division of Insurance Cash Fund	\$143,448*	\$155,915*
FTE Position Change	1.7 FTE	2.0 FTE
Effective Date: The bill was signed by the Governor and became law on June 1, 2007.		
Appropriation Summary for FY 2007-08: See State Appropriations section.		
Local Government Impact: None.		

* *Expenditures do not include indirect costs.*

Summary of Legislation

Under current law, regulation of title insurance companies is conducted by the Department of Regulatory Agencies, Division of Insurance (DOI). Currently, title insurance agents are required to be licensed and are prohibited from engaging in certain business activities. Additionally, in order to conduct business in the state, title insurance companies must have sufficient financial assets to indemnify a policyholder in the event that a lien or encumbrance has been placed on real property owned by the policyholder.

The bill requires the DOI to perform an annual market analysis of the title insurance industry in the state and investigate and enforce title insurance laws. Beginning January 1, 2009, and each year thereafter, the DOI will also provide specified committees of the General Assembly with annual reports detailing title insurance market trends and also post title insurance information on its website.

State Revenue

The bill will increase total state revenue by \$277,048 in FY 2007-08 and by \$192,552 in FY 2008-09.

Premium Surcharge (One-Time) - Division of Insurance Cash Fund. The bill establishes a premium surcharge on title entity licensees. The surcharge shall be calculated as a pro rata share of total title insurance premiums received for business conducted on or after March 1, 2007. The Commissioner of Insurance shall set the assessment surcharge in an a manner that generates sufficient revenue to pay for 2.0 FTE plus indirect costs from September 1, 2007 to March 1, 2008 (6 months). Currently, there are approximately 2,712 title insurance agents. Based on the bill's direct and indirect expenditures, it is estimated that the annual premium surcharge per agent will be \$33 in FY 2007-08, resulting in \$84,496 of revenue ($\$33 * 2,712$).

Premium Surcharge (Ongoing) - Division of Insurance Cash Fund. In addition to the one-time premium surcharge, the bill creates an annual fee to provide revenue for ongoing DOI market analysis and enforcement activities. The first ongoing fee shall be due on March 1st of each year. Based on the bill's expenditures and number of title agents (2,712), the fee will equal \$71, resulting in \$192,552 ($\$71 * 2,712$) in revenue in both FY 2007-08 and FY 2008-09.

State Expenditures

The DOI will promulgate rules to implement procedures for title company examinations. The DOI will also require staff to perform annual title insurance market analyses and investigate title insurers for violations of licensure laws and unacceptable business practices. The bill requires funding for 2.0 FTE to perform these functions. Consequently, total costs to the DOI will equal \$143,448 in FY 2007-08 and \$155,915 in FY 2008-09, and 2.0 FTE in both fiscal years. The fiscal note assumes that the DOI will begin market analyses and investigations of title insurance on September 1, 2007.

Expenditure Not Included

Pursuant to a Joint Budget Committee policy, funding for the items noted below will not be included in fiscal note expenditure estimates. However, indirect costs are calculated for the purpose of identifying the "per applicant" cost of a new or revised fee to reflect the total direct and indirect costs required to support a particular program. Indirect costs are estimated at \$34,054 in both FY 2007-08 and FY 2008-09.

- group health, life and dental insurance
- inflation indices
- amortization equalization disbursements
- supplemental amortization equalization disbursements
- short-term disability
- leased space
- indirect costs

State Appropriations

The fiscal note indicates the Department of Regulatory Agencies, DOI , requires \$143,448 and 2.0 FTE from the Division of Insurance Cash Fund for FY 2007-08.

Departments Contacted

Regulatory Agencies Law