



*Colorado Legislative Council Staff Fiscal Note*  
**STATE**  
**FISCAL IMPACT**

**Drafting Number:** LLS 10-0326  
**Prime Sponsor(s):** Rep. Priola  
 Sen. Schwartz

**Date:** February 15, 2010  
**Bill Status:** House Business Affairs and Labor  
**Fiscal Analyst:** Clare Pramuk (303-866-2677)

**TITLE:** CONCERNING THE SUNSET REVIEW OF THE FUNCTIONS OF THE DIVISION OF INSURANCE RELATED TO THE REGULATION OF SPECIFIED LINES OF INSURANCE, AND, IN CONNECTION THEREWITH, CONTINUING THE FUNCTIONS OF THE DIVISION RELATED TO THE REGULATION OF PROPERTY AND CASUALTY, AUTOMOBILE, AND OTHER INSURERS THAT DO NOT OFFER HEALTH, LIFE, PROPERTY, CASUALTY, OR AUTOMOBILE INSURANCE THROUGH JULY 1, 2017; CONSOLIDATING THE SUNSET REVIEW OF ALL FUNCTIONS OF THE DIVISION OF INSURANCE OTHER THAN THOSE RELATED TO THE LICENSING OF BAIL BONDING AGENTS; AND IMPLEMENTING OTHER RECOMMENDATIONS CONTAINED IN THE SUNSET REPORT.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
<b>State Revenue</b>		
<b>State Transfers or Diversions</b> Diversion from the General Fund to the Division of Insurance Cash Fund*	(\$75,491)	(\$72,586)
<b>State Expenditures</b> Cash Funds Division of Insurance Cash Fund	\$60,048	\$56,779
<b>FTE Position Change</b>	0.7 FTE	0.7 FTE
<b>Effective Date:</b> July 1, 2010.		
<b>Appropriation Summary for FY 2010-2011:</b> See State Appropriations section of fiscal note.		
<b>Local Government Impact:</b> None.		

*\*Diversion is higher than expenditures to account for Expenditures Not Included shown in the fiscal note.*

**Summary of Legislation**

This bill implements the recommendations of the sunset review by the Department of Regulatory Agencies to continue the Division of Insurance's regulation of property and casualty insurance. The bill does the following:

- consolidates the sunset review schedule of the entire division, except for the licensing of bonding agents, to July 1, 2017;

- adds certain acts, practices, and omissions as either unfair or deceptive acts or practices, or as unfair discrimination in the business of insurance;
- allows the commissioner to make insurer self-audits and division analyses of insurers public;
- requires the commissioner to examine licensed preneed funeral contract sellers at least once every 5 years;
- repeals references to the medical malpractice and commercial liability insurance joint underwriting associations that no longer exist; and
- repeals obsolete provisions of law related to Pinnacol Assurance.

**State Transfers or Diversions**

This bill diverts \$75,491 from the General Fund in FY 2010-11 and \$72,586 in FY 2011-12. 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 expenditures by \$60,048 and 0.7 FTE in FY 2010-11 and \$56,779 and 0.7 FTE in FY 2011-12 to the Division of Insurance in the Department of Regulatory Agencies from the Division of Insurance Cash Fund.**

The requirement that the commissioner examine licensed preneed funeral contract sellers at least once every 5 years drives the fiscal impact of this bill. There are currently 90 contract sellers. The bill assumes that 18 exams will be performed per year and under current law the commissioner is to make every effort to use division staff for these exams. Since an examiner will need to travel to the contract sellers' locations, expenditures include travel and per diem as shown in Table 1.

<b>Table 1. Expenditures Under HB10-1220</b>		
<b>Cost Components</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
Personal Services	\$45,194	\$45,194
FTE	0.7	0.7
Travel and Per Diem	10,920	10,920
Operating Expenses and Capital Outlay	3,934	665
<b>TOTAL</b>	<b>\$60,048</b>	<b>\$56,779</b>

**Expenditures Not Included**

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. The centrally appropriated costs subject to this policy are summarized in Table 2.

<b>Table 2. Expenditures Not Included Under HB10-1220*</b>		
<b>Cost Components</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,970	\$4,970
Supplemental Employee Retirement Payments	1,681	2,045
Indirect Costs	8,604	8,604
Workers' Compensation and Risk Management	188	188
<b>TOTAL</b>	<b>\$15,443</b>	<b>\$15,807</b>

*\*More information is available at: <http://www.colorado.gov/cs/Satellite/CGA-LegislativeCouncil/CLC/1200536133924>*

**State Appropriations**

For FY 2010-11, the Division of Insurance in the Department of Regulatory Agencies requires an appropriation of \$60,048 and 0.7 FTE from the Division of Insurance Cash Fund.

**Departments Contacted**

Regulatory Agencies