

**STATE
FISCAL IMPACT**

Drafting Number: LLS 11-0031

Date: January 19, 2011

Prime Sponsor(s): Sen. Foster
Rep. Miklosi

Bill Status: Senate Local Government & Energy

Fiscal Analyst: Clare Pramuk (303-866-2677)

TITLE: CONCERNING THE REQUIREMENTS FOR A HOMEOWNER'S INSURANCE COMPANY TO TAKE ADVERSE ACTION ON EXISTING INSURANCE COVERAGE FOR A HOME BASED ON CLAIMS EXPERIENCE.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
State Transfers or Diversions Transfer (or Diversion) from the General Fund to the Division of Insurance Cash Fund	(\$4,054)	
State Expenditures Cash Funds Division of Insurance Cash Fund	\$4,054	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: See State Appropriations Section		
Local Government Impact: None.		

Summary of Legislation

This bill prohibits an insurance company from canceling or refusing to renew a homeowner's insurance policy if the homeowner has filed 2 claims or fewer in the previous 36 months. Claims for which the company paid nothing are excluded from the claim count. If a homeowner has had 2 or fewer claims within the previous 36 months, at policy renewal, an insurance company can do the following:

- increase the policy deductible to the next deductible level; and
- increase the premium up to 10 percent above the company's rate filing for that type of policy.

Under current law, notices of cancellation or refusal to renew are mailed by first-class mail and must include the reasons for the intended action. The bill lengthens from 30 days to 45 days, the period for prior notice of cancellation or refusal to renew a homeowner's insurance policy.

State Transfers or Diversions

This bill diverts \$4,054 from the General Fund in FY 2011-12 to the Division of Insurance Cash Fund. 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

An increase in expenditures of \$4,054 is expected for FY 2011-12 from the Division of Insurance Cash Fund. Insurance companies make annual filings to the division in January. Because this bill is effective upon passage, insurance companies would be required to make a special filing and the division would be required to review the filings. The fiscal impact funds the additional staff time required to conduct the extra reviews.

State Appropriations

The Division of Insurance requires an appropriation of \$4,054 from the Division of Insurance Cash Fund.

Departments Contacted

Regulatory Agencies