

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

**Drafting Number:** LLS 06-0191  
**Prime Sponsor(s):** Sen. Tochtrop  
 Rep. M. Carroll

**Date:** January 10, 2006  
**Bill Status:** Senate Health and Human Services  
**Fiscal Analyst:** Gary J. Estenson (303-866-4976)

**TITLE:** CONCERNING A REQUIREMENT THAT EMERGENCY MEDICAL CARE COVERAGE BE INCLUDED IN AUTOMOBILE INSURANCE POLICIES.

Fiscal Impact Summary	FY 2006/2007	FY 2007/2008
<b>State Revenues</b>		
General Fund	(\$11,503)	\$0
<b>State Expenditures</b>		
General Fund	\$0	\$0
Cash Fund - Division of Insurance Cash Fund	11,503	0
<b>FTE Position Change</b>	0.2 FTE	0.0 FTE
<b>Effective Date:</b> January 1, 2007		
<b>Appropriation Summary for FY 2006/2007:</b>		
Division of Insurance Cash Fund:	\$11,503 CF and 0.2 FTE	
<b>Local Government Impact:</b> None		

**Summary of Legislation**

Under current law, all individual automobile insurance policies must provide bodily injury and property damage liability coverage. If the policyholder is at fault in an accident the policyholder's bodily injury coverage pays medical costs and some associated expenses to other individuals injured in the accident. The policyholder's property damage liability coverage pays for accident damages to other individuals' vehicle and property. Current law requires individuals to carry bodily injury coverage in the amount of \$25,000 per person injured and \$50,000 per accident occurrence. The required coverage for property damage liability is \$15,000.

For automobile insurance policies issued on or after January 1, 2007, this legislation establishes emergency medical care coverage as a third type of required coverage. Emergency medical care coverage applies regardless of fault, covers emergency medical treatment administered immediately after an accident, and has no dollar limit for coverage. If emergency medical care coverage is paid for a driver found not to be at fault, that driver's insurance company has subrogation rights against the at-fault party's insurance carrier once the injured party has been fully compensated for all accident related injuries. Emergency medical care coverage is primary to health insurance and covers all medical or health insurance policy deductibles and co-insurance.

## **State Revenues and Expenditures**

The bill increases state expenditures for the Division of Insurance in the Department of Regulatory Agencies by \$11,503 for FY 2006-07 only. Under current law, the division is funded from a diversion of premium tax revenue that would otherwise be credited to the General Fund. Thus, the increased expenditures will cause a corresponding negative General Fund revenue impact. The increase in state expenditures is described below.

*Department of Regulatory Agencies, Division of Insurance.* The Division of Insurance is required to develop new standards to review the rate filings of all insurance companies writing automobile insurance policies in the state. Since emergency medical care coverage is neither a required nor optional coverage under current law, it is anticipated that it will take 408 hours to establish new rate review standards and apply them to individual rate filings during the first year of this legislation. This number is based on an average of one (1) hour of additional rate review time for 204 individual automobile insurance carriers, multiplied by two (2) FTEs.

The Department of Regulatory Agencies, Division of Insurance, anticipates a minimal amount of rule promulgation, but this is considered to be part of the division's ongoing workload. Therefore, this fiscal analysis does not include costs associated with the defining specific terms in the bill in rule.

Since emergency medical care coverage is primary to health insurance coverage, medical health insurance carriers will be required to offset this cost in their rate filings. This offset will be necessary because health insurance carriers currently incorporate these costs in their health insurance rate filings. The Division of Insurance indicates that this statutory change will require 50 additional hours of work to review health insurance rate filings. The fiscal note does not include this cost because it assumes that the workload will simply shift from reviewing health insurance rate filings where emergency medical care is a component of cost, to reviewing rate filings where it provides a reduction in cost.

## **State Appropriations**

For FY 2006-07, the fiscal note indicates that the Department of Regulatory Agencies should receive an appropriation of \$11,503 cash funds from the Division of Insurance Cash Fund and 0.2 FTE.

## **Departments Contacted**

Regulatory Agencies