



Legislative
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HB 20-1091

FINAL FISCAL NOTE

Drafting Number:	LLS 20-0765	Date:	August 10, 2020
Prime Sponsors:	Rep. Snyder Sen. Williams A.	Bill Status:	Deemed Lost
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Bill Topic: **DIVIDE INSURER INTO RESULTING INSURERS**

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill would have established a process for a Colorado domestic stock insurer to divide into two or more resulting insurers through a plan of division. It would have increased state expenditures on an ongoing basis and had the potential to increase state revenue.

Appropriation Summary: For FY 2021-22, the bill would have required an appropriation of \$14,347 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

**Table 1
State Fiscal Impacts Under HB 20-1091**

		FY 2020-21	FY 2021-22
Revenue		-	-
Expenditures	Cash Funds	\$14,347	\$22,325
	Centrally Appropriated	\$4,652	\$7,127
	Total	\$18,999	\$29,452
	Total FTE	0.2 FTE	0.3 FTE
Diversions	General Fund	(\$18,999)	(\$29,452)
	Cash Funds	\$18,999	\$29,252
	Total	\$0	\$0
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 (DORA). The commissioner must find that certain requirements specified by the bill are met prior to approving a plan of division. The commissioner may promulgate rules to enforce compliance. A dividing insurer that files a plan of division must pay all expenses incurred by the commissioner for outside experts if required for reviewing the plan.

Assumptions

The fiscal note assumes that two domestic stock insurers will file plans of division per year beginning in FY 2020-21.

State Revenue

The bill may increase state revenue to reimburse the Division of Insurance in the DORA for independent experts utilized by the commissioner in evaluating a plan of division. This increase will depend on the extent to which independent experts are used.

State Diversions

This bill diverts \$18,999 from the General Fund in FY 2020-21 and \$29,452 in FY 2021-22. 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 is expected to increase expenditures by \$18,999 and 0.2 FTE in FY 2020-21 and \$29,452 and 0.3 FTE in FY 2021-22 from the Division of Insurance Cash Fund. These costs are shown in Table 2 and explained below.

Table 2
Expenditures Under HB 20-1091

	FY 2020-21	FY 2021-22
Department of Regulatory Agencies		
Personal Services	\$14,347	\$22,325
Centrally Appropriated Costs*	\$4,652	\$7,127
Total Cost	\$18,999	\$29,452
Total FTE	0.2 FTE	0.3 FTE

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

Department of Regulatory Agencies. The Division of Insurance requires additional staff to review division plans and once the companies divide, to conduct the routine quarterly and annual financial oversight of the newly divided companies. If the commissioner uses external experts, the division will address these expenditure increases through the annual budget process and recover costs through fees on the dividing insurer.

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 \$4,652 in FY 2020-21 and \$7,127 in FY 2021-22.

Effective Date

The bill was deemed lost on June 16, 2020.

State Appropriations

For FY 2020-21, the bill requires an appropriation of \$14,347 and 0.2 FTE to the Department of Regulatory Agencies from the Division of Insurance Cash Fund.

State and Local Government Contacts

Regulatory Agencies