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Fiscal Note

Drafting Number:	LLS 22-0277	Date:	February 8, 2022
Prime Sponsors:	Rep. Amabile Sen. Rankin; Fenberg	Bill Status:	House Business
		Fiscal Analyst:	Clare Pramuk 303-866-2677 clare.pramuk@state.co.us

Bill Topic: **INSURANCE COVERAGE FOR LOSS DECLARED FIRE DISASTER**

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

The bill changes the requirements for homeowner's insurance coverage and claims handling when the damages are a result of a declared fire disaster. It diverts money from the General Fund and increases state expenditures in FY 2022-23 only.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$66,781 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 22-1111

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	Cash Funds	\$66,781	-
	Centrally Appropriated	\$21,677	-
	Total Expenditures	\$88,458	-
	Total FTE	1.0 FTE	-
Diversion	General Fund	(\$88,458)	-
	Cash Funds	\$88,458	-
	Net Diversion	\$0	-

Other Budget Impacts

Summary of Legislation

The bill changes the requirements for homeowner’s insurance coverage and claims handling when the damages are a result of a fire disaster declared by federal, state, county, or municipal authorities. The bill requires insurers to provide additional time and flexibility in rebuilding or replacing an insured residence and its contents, additional living expense coverage, and a primary point of contact with the insurer as detailed in the bill. The Commissioner of Insurance in the Department of Regulatory Agencies may adopt rules to implement the bill.

State Diversion

This bill diverts \$88,458 from the General Fund in FY 2022-23. 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

The bill increases state expenditures in Department of Regulatory Agencies by \$88,458 in FY 2022-23 only, paid from the Division of Insurance Cash Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 22-1111

	FY 2022-23	FY 2023-24
Department of Regulatory Agencies		
Personal Services	\$59,231	-
Operating Expenses	\$1,350	-
Capital Outlay Costs	\$6,200	-
Centrally Appropriated Costs ¹	\$21,677	-
Total Cost	\$88,458	-
Total FTE	1.0 FTE	-

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Regulatory Agencies. In FY 2022-23 this bill will increase expenditures for review of rate and form filings and rulemaking as described below.

- **Review of Rate and Form Filings.** The bill will increase filings of homeowner’s insurance rates and forms to the Division of Insurance for review. There are currently 182 insurers writing homeowner’s insurance coverage in Colorado that are expected to submit approximately 350 rate and form filings in FY 2022-23. Each rate and form filing requires 6 hours to review, so the division requires an additional Rate/Financial Analyst to address this workload. The fiscal note assumes that all rate and form filings submitted as a result of this bill will be filed in FY 2022-23. Standard operating and capital outlay costs are included.

- **Rulemaking.** The bill will increase workload to conduct rulemaking to reflect the changes in homeowner’s insurance coverage requirements and conduct outreach about the new rules. This increase can be accomplished within existing resources.

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 shown in Table 2.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed. It applies to the offer, issuance, and renewal of property and casualty insurance policies in the state and the administration of claims on such policies on and after the effective date.

State Appropriations

For FY 2022-23, the bill requires an appropriation of \$66,781 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund and 1.0 FTE.

State and Local Government Contacts

Information Technology

Law

Regulatory Agencies