



**Colorado
Legislative
Council
Staff**

SB17-198

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0901
Prime Sponsor(s): Sen. Priola
 Rep. Garnett

Date: February 27, 2017
Bill Status: Senate Business
Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: PUBLIC PARTICIPATE REVIEW ACQUIRE CONTROL INSURER

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	<u>\$0</u>	<u>\$0</u>
<i>State Diversions</i>		
General Fund	(9,505)	(9,505)
Cash Funds	9,505	9,505
State Expenditures	<u>\$9,505</u>	<u>\$9,505</u>
Cash Funds	9,505	9,505
FTE Position Change	0.1 FTE	0.1 FTE
Appropriation Required: \$9,505 - Department of Regulatory Agencies (FY 2017-18).		
Future Year Impacts: Ongoing expenditure increase and General Fund diversion.		

Summary of Legislation

The bill expands the public notice for the acquisition of either a domestic or foreign insurer that offers health plans in the state by requiring the Commissioner of Insurance (commissioner) to make the entire preacquisition notification available for public inspection promptly after filing. In addition, for foreign insurers, the bill requires the commissioner to provide public notice of the filing of an application for acquisition of control within five business days of the receipt of the initial application. The commissioner must provide a general statement to the public about the process and procedures concerning the acquisition of a foreign insurer operating in the state, including the opportunity for public participation in public hearings or submission of written comments. The commissioner must review the impact of a proposed acquisition of a foreign insurer on competition if the transaction potentially violates competitive standards under current law. The bill gives the commissioner authority to redact specific items or proprietary information in materials provided to the public, but specifies that the insurer has the burden of proof to show that redaction is necessary.

Background

A domestic insurer is an insurance carrier chartered under Colorado law. A foreign insurer is chartered under the laws of another state but has received authorization to operate in the Colorado market. Current law allows for public notice and hearings on proposed acquisitions of domestic, but not foreign, insurers.

State Revenue

While the bill does not affect net state revenue, it does result in a diversion from the General Fund, as described below.

State diversions. This bill diverts \$9,505 per year from the General Fund beginning in FY 2017-18. 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 affects workload and costs in the Department of Regulatory Agencies as follows.

Legal services. The bill increases costs in the Department of Regulatory Agencies by \$9,505 per year beginning in FY 2017-18. This cost is for 100 hours of legal services per year. In the first year, legal services are required to review processes and establish procedures for insurer acquisition under the bill, including for the review and redaction of information from data and reports that must be publicly disclosed. In future years, legal services are required to conduct the review and redaction of information from acquisition-related materials. The Department of Law, which will conduct this work using reappropriated funds, requires 0.1 FTE to provide these legal services.

The exact costs will vary depending on the number of acquisitions in a given year, which has fluctuated widely in recent year (currently there are three acquisitions under review, whereas there were none in the previous several years). Additional legal services may be required if legal action is pursued by the Division of Insurance or by an insurer to determine what constitutes confidential or proprietary information. Given this variance and the potential for additional legal service costs, the fiscal note assumes one acquisition per year, with each matter requiring 100 hours of legal services, as a reasonable baseline for future expenditures. To the extent additional resources are necessary, they will be requested through the annual budget process.

Document publication. The Department of Regulatory Agencies and the Office of Information Technology may have additional workload and costs to post additional data, reports, and notices online. These costs are assumed to be minimal and can be accomplished within existing appropriations.

Hearings. The bill will increase the number of public hearings held by Division of Insurance Staff concerning acquisitions involving foreign insurers. Given the irregular timing and relatively low number of these mergers, it is assumed that staff can accomplish this work within existing appropriations.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2017-18, the bill requires an appropriation of \$9,505 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund, of which the whole amount is reappropriated to the Department of Law. The Department of Law also requires an allocation of 0.1 FTE.

State and Local Government Contacts

Information Technology
Regulatory Agencies

Judicial
Secretary of State

Law