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PREPARED BY: Sandy Sostad
DATE PREPARED: January 20, 2012
PHONE: 471-0054

LB 887

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		See Below		See Below
CASH FUNDS		See Below		See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 887 changes provisions relating to insurance. The following sections of the bill may have a fiscal impact as noted.

Section 1 decreases the annual certificate of authority fee for certain domestic assessment associations from $100 to $20. The Department of Insurance (DOI) indicates there are seven entities which will have reduced fees pursuant to the change. The annual loss of revenue for the Department of Insurance Cash Fund will be $560.

The $5 fee for filing a report by an unincorporated mutual association is eliminated in this section. DOI estimates an annual $15 decrease in revenue pursuant to eliminating the fee.

Sections 4 – 15 pertain to the Insurance Holding Company System Act. The bill amends and codifies some regulatory responsibilities for the DOI related to insurance holding companies. It allows the director of DOI to participate in supervisory colleges for domestic insurers that are part of insurance holding companies with international operations. The department indicates the changes will not have a fiscal impact in terms of increased expenditures or revenues, but will codify existing regulatory practices and procedures in reference to insurance holding companies. Penalties for noncompliance with the act are authorized by the bill and may be assessed by the director of DOI. Any revenue for schools pursuant to the penalties is projected to be minimal.

Section 17 revises the coverage provided by the Nebraska Life and Health Insurance Guaranty Association Act. The health insurance benefits covered by the act are changed to decrease the amount of coverage provided for disability insurance or long term care insurance from $500,000 to $300,000 and for some other coverages from $500,000 to $100,000. It also removes policies for Medicare Part C or D coverage from the act. The amount of coverage for annuities and structured settlement annuities increases from $100,000 to $250,000.

The fiscal impact of the changes cannot be determined because the benefits the guaranty association may be obligated to pay in the future are unknown. Actual benefits depend upon insurer insolvencies and the business written by such entities. Payments by the guaranty association for obligations of insolvent insurers are funded by assessments upon insurance companies. Insurers are able to reduce their premium tax liability by the amount of the assessments, so the ultimate fiscal impact of any change in benefits is borne by the recipients of premium tax revenue. Forty percent of premium taxes are allocated to the General Fund, 10% to the Mutual Assistance Fund and 40% to the Insurance Tax Fund. The Insurance Tax Fund is distributed to schools (60%), the Municipal Equalization Fund (30%) and counties (10%).

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE 1/11/12	PHONE 471-2526

COMMENTS

DEPARTMENT OF INSURANCE: Agency's estimate appears to be reasonable.

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Please complete ALL (5) blanks in the first three lines.

LB(1) 887 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Department of Insurance

Prepared by: (3) Eric Dunning Date Prepared: (4) 1-10-12 Phone: (5) 1-4650

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		Indeterminate		Indeterminate
CASH FUNDS		Indeterminate and ($575)		Indeterminate and ($575)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

Amending 44-114 (9) to specify that reports filed by unincorporated mutual associations shall be made with no fee, instead of the current $5 fee. This would result in a reduction of revenue of $15 per year.

Amending 44-114 (4) to specify that all domestic assessment associations pay a $20 fee, instead of the current $100 fee. There are seven such entities doing business in more than thirty one counties of the state. The reduced fees would result in a reduction of revenue of $560 per year.

Amendments to the Life and Health Guaranty Fund, in Article 27 will have an indeterminate revenue impact on the state. It is not possible to describe this impact as either positive or negative. Payments for the obligations of insolvent insurers made by the guaranty association are funded by assessments upon insurers operating in Nebraska. Under the terms of Neb. Rev. Stat. § 44- 2716, these assessments can be used as the basis for offsets against premium tax liability. The proposal increases to the amount of coverage for annuities and structured settlement annuities from $100,000 to $250,000, but decreases the amount of coverage for long term care and disability coverages from $500,000 to $300,000 and removes coverage from Medicare Part C and D. Whether the increased coverage is offset by decreased coverage amounts is dependent on the mix of business involved in insurer insolvencies in the coming years.

Pursuant to Neb. Rev. Stat. § 77-912, the distribution of premium taxes paid by insurers is forty percent to the General Fund, ten percent to the Mutual Assistance Fund for legislative appropriation, and fifty percent to the Insurance Tax Fund. Of the Insurance Tax Fund, ten percent is distributed counties, thirty percent to the Municipal Equalization Fund, and sixty percent distributed under TEEOSA.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 12-13	13-14	2012-2013 EXPENDITURES	2013-2014 EXPENDITURES
Benefits				
Operating				

Travel		
Capital outlay		
Aid		
Capital improvements		
TOTAL		