

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$270,000		\$200,000	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$270,000		\$200,000	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 602 is the Domestic Stock Insurance Company Division Act. The bill allows domestic insurance companies to divide into two or more companies pursuant to a plan of division. The bill prescribes requirements for a plan of division.

The Department of Insurance is charged to approve the division of companies based upon certain criteria. The DOI may hold a public hearing relative to the division of a company. If a plan of division is approved by the Director of the DOI, then an order is required to be issued to that effect. A certificate of division is effective when it is filed with the Secretary of State. The DOI may adopt rules and regulations pursuant to the act.

DOI Expenditures: The Department of Insurance will have increased expenditures to review and approve the division of insurance companies if insurers opt to restructure. The bill does not authorize the department to charge insurers for the cost of the reviews. It is unknown how many domestic insurers will opt to divide their companies pursuant to the act.

DOI indicates it will contract for assistance with the actuarial, investment and reinsurance/corporate transaction review. The rate for these services is estimated to be \$200-\$250 per hour. The amount of time required for a review will vary by company and the complexity of the proposed division. The department fiscal estimate assumes one insurer in each of the next two years may apply to be divided. If so, then cash fund expenditures will increase by an estimated \$150,000 to \$300,000 per year. DOI projected a \$200,000 increase in expenditures in FY20 and FY21. The Department of Insurance Cash Fund has an adequate balance to handle any increased expenditures of the bill.

Secretary of State Expenditures: The Secretary of State estimates a one-time expenditure of \$70,000 of cash funds for the vendor of its filing system to make modifications to the system to allow new filings by companies that are divided pursuant to the bill. The companies will have to file a Certificate of Division and may have to file a Certificate of Abandonment with the Secretary of State. The agency indicates sufficient funds are available in its Corporations Cash Fund to cover the one-time expense.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 602 AM: AGENCY/POLT. SUB: Nebraska Secretary of State

REVIEWED BY: Neil Sullivan DATE: 3/5/2019 PHONE: (402) 471-4179

COMMENTS: No basis to disagree with the Nebraska Secretary of State assessment of fiscal impact from LB 602.

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

2019

LB⁽¹⁾ 602

FISCAL NOTE

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

Prepared by: ⁽³⁾ Matt Holman Date Prepared: ⁽⁴⁾ 3/6/19 Phone: ⁽⁵⁾ 402-471-4503

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$200,000	_____	\$200,000	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$200,000</u>	_____	<u>\$200,000</u>	_____

Explanation of Estimate:

The language of LB 602, as introduced, would provide insurers with a mechanism to divide into two or more resulting insurers. The bill would require the Department of Insurance to review and approve or disapprove proposed plans of division filed by insurers. Unlike other parts of the insurance code, as introduced LB 602 does not authorize the Department to charge insurers for the costs associated with review of a proposed plan of division.

In order to properly review a proposed plan of division, the Department would rely on outside consultants to assist with the actuarial, investment, and reinsurance/corporate transaction review. The typical rate for these services is \$200-250 per hour. Depending on complexity of the proposal and the block of business being split, the Department estimates a review requiring a total of 750-1500 hours of contractual review. If the Department received one proposal for insurer division per year, the range could be \$150,000 to \$300,000 of increased expenditures on consultants to assist in this review.

If LB 602 were amended to authorize the Department to charge the applicant insurer for the costs associated with the review, as is authorized in 44-2727(4), there would be a corresponding increase to revenues.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20 EXPENDITURES</u>	<u>2020-21 EXPENDITURES</u>
	<u>19-20</u>	<u>20-21</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2019

LB⁽¹⁾ 602

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Secretary of State's Office

Prepared by: ⁽³⁾ Joan Arnold Date Prepared: ⁽⁴⁾ 1/31/2019 Phone: ⁽⁵⁾ 402-471-2384

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$70,000	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$70,000</u>	_____	_____	_____

Explanation of Estimate:

LB 602 creates the Domestic Stock Insurance Company Division Act. The Act would require modifications to our Business Services Filing System in order to accept two new filings, the Certificate of Division and the Certificate of Abandonment for insurance companies. The filing of a Certificate of Division allows an existing insurance company to divide into one or more new insurance companies. The dividing insurance company may or may not survive the division. If the dividing company survives, it may file amendments to its articles of incorporation. For each new company that is created by the division, its articles of incorporation are required to be provided. The Certificate of Abandonment allows the insurance company to abandon the plan of division after filing the Certificate of Division. Our vendor estimates a cost of \$70,000 to modify our existing filing system to provide functionality for these new filings. This would be a one-time expense. The balance in our Corporations Cash Fund would allow for these costs to be paid from that fund.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20 EXPENDITURES</u>	<u>2020-21 EXPENDITURES</u>
	<u>19-20</u>	<u>20-21</u>		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	\$70,000	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	\$70,000	_____