

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				See Below
CASH FUNDS	See Below	See Below	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 121 is the Captive Insurers Act. The bill authorizes a company to create a domestic captive insurance entity to provide insurance and reinsurance to the parent company, an affiliated entity or both. The captive insurer must obtain a certificate of authority from the Director of Insurance to operate and submit a plan of operation that is to be approved by the Director. An annual financial report is also required to be filed with the Director. The Director may examine the financial condition and management of a captive insurer. Captive insurers may only write certain lines of property casualty insurance and may not transact directors and officers insurance or motor vehicle insurance. Administrative fines may be imposed by the Director for violations of up to \$1,000 per violation. Captive insurers are to pay a premium tax of 1% of the amount of premiums written during the preceding calendar year.

The fiscal impact of the bill cannot be determined because it depends upon how many captive insurers are formed in the state. The Department of Insurance does not anticipate a great number of these companies will be formed. Increased cash fund revenue will be received by the Department of Insurance from an annual \$500 certificate of authority fee. Other applicable filing fees may also increase cash revenue for the department. The increase is not projected to be significant. Any administrative fines imposed pursuant to the bill will accrue to the Permanent School Fund. Premium tax payments required of the captive insurers will increase revenue for the General Fund, Mutual Finance Assistance Fund, schools, cities and counties beginning in 2008-09.

The Department of Insurance may have increased expenditures to examine captive insurers. The cost of the examinations will be billed to the company being examined.

The Department of Revenue indicates there will be an impact on corporate income tax revenue pursuant to the bill because premium taxes paid by companies can be used to offset income tax liability. The impact is not able to be determined.