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 DATE PREPARED: January 26, 2010
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LB 693

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * | | | | |
|---|-------------------|-------------|-------------------|-------------|
| | FY 2010-11 | | FY 2011-12 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | (See Below) | | (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 693 provides for the Department of Insurance, in consultation with the Attorney General, to enter into interstate agreements with other states to authorize the issuance of sickness and accident insurance policies by foreign insurers from such states. The bill provides that the foreign insurers or associations which enter into such interstate agreements are not subject to the laws of the Nebraska except as specifically enumerated in the bill. The bill requires the insurers and associations to pay the same fees currently required to be paid by other domestic and foreign insurers. However, the bill does not require these entities to pay insurance premium taxes. The Department of Insurance may conduct market and solvency examinations of the foreign insurers. The bill has an operative date of January 1, 2011.

The Department of Insurance indicates that an additional .5 Consumer Affairs Investigator will be needed to deal with consumer inquiries, problems and complaints pursuant to additional foreign insurers and associations offering health insurance in the state. The estimated cost for a .5 FTE is \$13,388 of cash funds in 2010-11 and \$26,775 in 2011-12. It is assumed the need for the additional .5 FTE will depend upon how many interstate agreements are negotiated. It is unknown how many states will enter into interstate agreements which allow foreign insurers to issue policies in the state.

It is possible the Department of Insurance could be involved in market conduct and solvency examinations of foreign insurers pursuant to the bill. If so, additional examining staff may be required. However, it is assumed that the interstate agreements will be negotiated such that the regulation of foreign insurers and associations will remain with the state of domicile so the necessity to add examining staff will be avoided.

The bill does not require the collection of insurance premium taxes in Nebraska from the foreign insurers and associations that are party to the interstate agreements. The Department of Insurance indicates there is the possibility that some foreign insurers currently selling health insurance in the state will surrender their certificates of authority and avoid the payment of the tax, thereby reducing premium tax collections. Premium taxes are allocated per existing law to the General Fund (40%), Municipal Finance Assistance Fund (10%), and the Insurance Tax Fund (50%). The Insurance Tax Fund is distributed to schools (60%), cities (30%) and counties (10%). It is unknown how premium tax collections will be impacted by the bill.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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|---|-----------|------|---------|
| REVIEWED BY | Gary Bush | DATE | 1/14/10 |
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| COMMENTS | | | |
| ATTORNEY GENERAL: No basis to disagree with estimate of impact. | | | |