

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1598 – SB 1795

February 25, 2018

SUMMARY OF ORIGINAL BILL: Exempts the following types of insurance coverage from the filing requirements of commercial risk insurers: boiler and machinery, environmental impairment/pollution liability, kidnap and ransom, political risk or expropriation, employment practices liability, media liability, product liability, product recall, and completed operations.

Reduces the aggregate paid premium threshold applicable to commercial risk insurers, from \$250,000 to \$200,000, effectively exempting from filing requirements any commercial risk insurer which paid aggregate premiums of greater than \$200,000.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – \$9,000

IMPACT TO COMMERCE OF ORIGINAL BILL:

Decrease Business Expenditures - \$9,000

SUMMARY OF AMENDMENT (013448): Deletes and replaces language in the bill without making any substantive changes to the legislation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 56-5-106(a)(1), every insurer of commercial risk insurance, except insurers of inland marine risk, are required to file with the Commissioner of the Department of Commerce and Insurance (DCI) all rates, supplementary rate information, policy forms, and endorsements, not later than 15 days prior to their effective date.

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- Pursuant to Tenn. Code Ann. § 56-5-122(a)(1)(D)(iv), commercial risk insurers who paid aggregate insurance premiums of greater than \$250,000 are exempt from the aforementioned commercial risk insurance filing requirements.
- This legislation increases the types of commercial risk insurers who are exempt from such filing requirements.
- Exempting additional commercial risk insurers from filing requirements will result in reduced revenue that was formerly recognized through filing fees.
- Filing fees often vary from one insurer to the next because Tennessee is retaliatory; the state charges a fee equal to that which was levied by a foreign state against Tennessee-domiciled companies.
- Based on information provided by the DCI, the total revenue collected from rate filing fees from FY14-15, FY15-16, and FY16-17, for the lines of coverage exempted by this legislation, was \$27,000, or \$9,000 per year (\$27,000 / 3 years).
- A recurring decrease in state revenue to the General Fund of \$9,000.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumption for the bill as amended:

- This legislation will result in a recurring decrease in business expenditures of \$9,000 for commercial risk insurers operating in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb