

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5720 S SB AMH CPB H1808.1	<b>Title:</b> Risk mitigation	<b>Agency:</b> 160-Office of Insurance Commissioner
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2	0.0	0.1	0.0	0.0
<b>Account</b>					
Insurance Commissioners Regulatory Account-State 138-1	24,613	0	24,613	0	0
<b>Total \$</b>	24,613	0	24,613	0	0

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 1(1) removes the prohibition of commercial property policies from including goods and/or services intended to reduce the probability of loss, or the extent of loss, from a covered event as part of the policy of property insurance.

Section 1(3) increases the amount allowed in a 12-month aggregate period to the higher amount of \$7,500 or 10% of the annual premium amount.

Section 1(8) requires the Office of Insurance Commissioner (OIC) to provide a report to the legislature by September 1, 2024, on the number of new property insurance policies for commercial and personal line from August 1, 2023, through August 1, 2024, that include risk mitigation goods and services. Biennial reports are due on even numbered years. The report must categorize the policies into risk mitigation value amounts. The report must be limited to only new policies. Finally, the OIC can only utilize the information currently held or submitted and is prohibited from asking insurers for additional information.

Section 2(2) removes the rulemaking authority to increase the value of risk mitigation goods and services.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

Section 1(1) removes the prohibition of commercial property policies from including goods and/or services intended to reduce the probability of loss, or the extent of loss, from a covered event as part of the policy of property insurance.

Section 1(3) increases the amount allowed in a 12-month aggregate period to the higher amount of \$7,500 or 10% of the annual premium amount.

Policies of property insurance that include goods and/or services intended to reduce the probability or extent of loss are required to demonstrate, in the property insurers' rate filing, that its rates account for the expected costs of the goods and/or services and the reduction in expected claims costs resulting from the goods and/or services. As a result of removing the prohibition on commercial property policies from including loss prevention and/or mitigation goods and services and including an alternative valuation measure of \$7,500 or 10% of annual premium, the Office of Insurance Commissioner (OIC) assumes it will receive one additional rate filing each year beginning in FY2024 and that 6 hours of an Actuarial Analyst 3 will be required to review the commercial property rate filing.

Section 1(8) requires the OIC to provide a report to the legislature by September 1, 2024, on the number of new property insurance policies for commercial and personal line from August 1, 2023, through August 1, 2024, that include risk mitigation goods and services. Biennial reports are due on even numbered years. The report must categorize the policies into risk mitigation value amounts. The report must be limited to only new policies. Finally, the OIC can only utilize the information currently held or submitted and is prohibited from asking insurers for any additional information. The OIC reviews and approves the policy form and rates for the program to be in compliance with RCW 48.18.558 and RCW 48.19.530. The OIC does not possess any data on the number of policies sold that contain these risk mitigation programs. Since Section 1(8) prohibits the OIC from asking insurers for the information the report requires, the OIC has no way of knowing how

many new policies contain these risk mitigation programs. Therefore, OIC assumes de minimis fiscal impact to produce a report to the Legislature relying solely upon information already submitted to the OIC.

Section 2(2) removes the rulemaking authority to increase the value of risk mitigation goods and services.

Current rules in WAC 284-33 do not allow commercial property insurance to offer risk mitigation goods and services. ‘Simple’ rulemaking, in FY2024, will be required to allow commercial property insurers the ability to provide risk mitigation goods and services to their insured and to remove any reference to increasing the value of risk mitigation goods and services.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
138-1	Insurance Commissioners Regulatory Account	State	24,613	0	24,613	0	0
<b>Total \$</b>			24,613	0	24,613	0	0

**III. B - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2		0.1		
A-Salaries and Wages	14,891		14,891		
B-Employee Benefits	4,799		4,799		
C-Professional Service Contracts					
E-Goods and Other Services	4,923		4,923		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	24,613	0	24,613	0	0

**III. C - Operating FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Functional Program Analyst 4	80,952	0.1		0.0		
Senior Policy Analyst	108,432	0.1		0.1		
<b>Total FTEs</b>		0.2		0.1		0.0

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Current rules in WAC 284-33 do not allow commercial property insurance to offer risk mitigation goods and services. ‘Simple’ rulemaking, in FY2024, will be required to allow commercial property insurers the ability to provide risk mitigation goods and services to their insured and to remove any reference to increasing the value of risk mitigation goods and services.