

State Corporation Commission 2005 Fiscal Impact Statement

1. Bill Number SB913

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron Norment

3. Committee: Passed Both Houses

4. Title Insurance rates; large commercial risks.

5. Summary/Purpose: Changes the criteria that establish what is considered a “large commercial risk.” In addition to having a risk manager, insureds must meet at least two of the following criteria (the thresholds of which have been amended) in order to be exempt from certain form approval and rate filing requirements: (i) possess a net worth in excess of \$2 million (current threshold is \$10 million); (ii) generate annual revenues in excess of \$2 million (current threshold is \$25 million); (iii) employs more than 10 full-time or full-time equivalent employees (current threshold is 80 full-time or full-time equivalent employees); (iv) pay annual aggregate nationwide insurance premiums in excess of \$25,000 (current threshold is \$100,000); or (v) if a not-for-profit organization, generate annual budgeted expenditures of at least \$5 million (current threshold is \$10 million).

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: Senate Bill 913 significantly reduces the threshold limits for exemption from rate and form filing requirements for large commercial risks, which has the potential to allow more insureds to have contracts that are exempt from Bureau approval or rates and forms. In Fiscal Year 2004, 22 companies wrote 126 exempt policies. This bill would allow policyholders to purchase coverages tailored to their insurance needs, and they are required to sign a certification that the policy being purchased is not subject to Commission review or approval.

Date: 03/01/05 / V. Tompkins

cc: Secretary of Commerce and Trade