

State Corporation Commission

2019 Fiscal Impact Statement

1. Bill Number: SB1222

House of Origin ☐ Introduced ☒ Substitute ☐ Engrossed
Second House ☒ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Chafin

3. Committee: Commerce and Labor

4. Title: Insurance licensing

5. Summary: Requires the biennial renewal, for individuals and business entities, of licenses by insurance agents, consultants, public adjusters, surplus lines brokers, and viatical settlement brokers by a producer's year and month of birth. The measure also requires fingerprinting for the purpose of conducting state and federal criminal background checks on new resident applicants. The measure establishes fees for processing license renewal applications, requires proof of compliance with continuing education requirements, addresses reinstatement of licenses, and provides for waivers of certain requirements. The measure requires licensed persons to report changes in their name or address. The measure provides that the registration fee for settlement agents will be prescribed by the Commission and that the Commission will retain the authority to enforce these provisions against any person who is under investigation for or charged with a violation. The measure also revises the timeline for completion of insurance continuing education courses to biennially, based on an insurance agent's year and month of birth. The measure modifies the membership of the insurance continuing education board and the criteria for selection by the State Corporation Commission of the same. The measure also includes clarifications and removes obsolete requirements. The bill has a delayed effective date of January 1, 2021.

6. Budget Amendment Necessary: Yes. Item 477, Page 507, Line 13.

7. Fiscal Impact Estimates: Fiscal Impact Estimates are Preliminary. See Item 8 below.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	0		
2020	\$587,000	1	NGF
2021	\$687,000	1	NGF
2022	\$87,000	1	NGF
2023	\$87,000	1	NGF
2024	\$87,000	1	NGF
2025	\$87,000	1	NGF

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2019	0	
2020	0	
2021	\$460,000	NGF
2022	\$1,000,000	NGF
2023	\$3,000,000	NGF
2024	\$2,500,000	NGF

8. Fiscal Implications: If these provisions are enacted, the Commission will experience one-time expenditures over the course of Fiscal Years 2020 and 2021 of approximately \$1.1 million to implement the biennial license renewal and fingerprinting processes. The one-time expenditures will include system modifications and communications such as mailings to Virginia's approximately 300,000 agents to notify them of the new requirements, the progress of implementation and the steps that agents will need to take to comply with these requirements. Ongoing expenditures will include the hiring of one full-time employee to assist with the biennial license renewal and fingerprinting processes.

The Commission anticipates additional revenue beginning in 2021 with enactment of this legislation. Agencies will renew their licenses beginning May 1, 2021 and biennially thereafter each May 1. Agents with a birth month and year in an even-numbered year will renew their licenses beginning in Calendar Year 2022. Agents born in odd-numbered years will renew their licenses in 2023. The Commission, therefore, estimates revenues for FY 2021 at \$460,000; revenues for FY 2022 at \$1 million; and revenues for FY 2023 at \$3,000,000, which is the first year with revenue from both agency renewals and agent renewals. Actual revenue would be determined by the number of agents and agencies in Virginia in those fiscal years. Commission staff performs an annual analysis of fees charged to regulated entities and makes adjustments accordingly to ensure that adequate reserves are maintained for Bureau of Insurance functions. With additional revenue anticipated in FY 2021 and beyond, the Commission will continue to monitor revenues annually to ensure that the amount of reserves for the Bureau are appropriate.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission
Bureau of Insurance

10. Technical Amendment Necessary: No

11. Other Comments: Senate Bill 1222 was introduced by Senator Chafin at the request of the State Corporation Commission Bureau of Insurance. The provisions of Senate Bill 1747 were rolled into Senate Bill 1222 in its amendment of the nature of a substitute.

Date: 02/10/19/V. Tompkins