State Corporation Commission
2012 Fiscal Impact Statement

1. **Bill Number:** SB654

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

2. **Patron:**   McEachin

3. **Committee:** Commerce and Labor

4. **Title:**   Claims-made liability insurance policies.

5. **Summary:** Claims-made liability insurance policies. Prohibits an insurer from denying coverage for a claim based on the insured's failure to notify the insurer that a claim might be made under a claims-made policy, unless the insured's failure to notify the insurer prejudices the insurer or unless the insured understood that a claim would be made under the policy.

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:** This bill would, in certain circumstances, partially convert a claims-made policy to an occurrence policy. Claims-made policies all contain a provision unique to such policies that requires the insured to notify the insurer if the insured becomes aware of circumstances that may give rise to a claim. However, under this bill, a claims-made policy would be partially converted to an occurrence policy because the insured no longer has to report the possibility of a claim within the policy period as long as there is no prejudice. This change also impacts the pricing of claims-made policies. For example, requiring insurers to demonstrate they are prejudiced by late notice could increase litigation costs, which could increase premiums on claims-made policies. Since the period of time that a claim could be covered is increased, the costs of the coverage may increase.

   Date: 01/29/12/V. Tompkins
   cc: Secretary of Commerce and Trade
            Secretary of Health and Human Resources