SB 22-094

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 22-0122	**Date:**	June 9, 2022
Prime Sponsors:	Sen. Coram; Gonzales	**Bill Status:**	Postponed Indefinitely
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Bill Topic: **INSURER LIABILITY FOR PROPERTY AND CASUALTY CLAIMS**

Summary of Fiscal Impact:

☐ State Revenue
☒ State Expenditure
☒ State Diversion
☐ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

The bill would have clarified that a first-party claimant is entitled to reimbursement from an insurer for reasonable costs incurred to substantiate a property and casualty insurance claim that was wholly or partially declined by an insurer. The bill would have increased state expenditures and General Fund diversions on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill would have required an appropriation of $41,092 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under SB 22-94

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	Cash Funds	$41,092	$34,892
	Centrally Appropriated	$11,984	$11,395
	Total Expenditures	**$53,076**	**$46,287**
	Total FTE	**0.5 FTE**	**0.5 FTE**
Diversions	General Fund	($53,076)	($46,287)
	Cash Funds	$53,076	$46,287
	Net Diversion	**$0**	**$0**
Other Budget Impacts		-	-

Summary of Legislation

The bill clarifies that a first-party claimant is entitled to reimbursement from an insurer for reasonable costs incurred to substantiate a property and casualty insurance claim that was wholly or partially declined by an insurer.

Assumptions

The fiscal note assumes that the broad applicability of this bill to all property and casualty claims, and the necessity to determine what constitutes reasonable cost, will require additional staff for the Division of Insurance in the Department of Regulatory Agencies, to evaluate a 25 percent increase in complaints.

State Diversion

This bill diverts $53,076 in FY 2022-23 and $46,287 in FY 2023-24 and future years from the General Fund to the Division of Insurance Cash Fund. This revenue diversion occurs because the bill increases costs in the Division of Insurance, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases state expenditures in the Department of Regulatory Agencies by $53,076 in FY 2022-23 and $46,287 in FY 2023-24 and future years, paid from the Division of Insurance Cash Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under SB 22-94

	FY 2022-23	FY 2023-24
Department of Regulatory Agencies		
Personal Services	$34,217	$34,217
Operating Expenses	$675	$675
Capital Outlay Costs	$6,200	-
Centrally Appropriated Costs[1]	$11,984	$11,395
Total Cost	**$53,076**	**$46,287**
Total FTE	**0.5 FTE**	**0.5 FTE**

[1] *Centrally appropriated costs are not included in the bill's appropriation.*

Department of Regulatory Agencies. The bill requires an additional 0.5 FTE of a Rate/Financial Analyst II for the Division of Insurance to address additional denial complaints. Complaints take approximately 10 hours to resolve and an additional 110 are expected per year as a result of this bill. Standard operating and capital outlay costs are included.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Effective Date

The bill was postponed indefinitely by the Senate Business, Labor and Technology Committee on February 16, 2022

State Appropriations

For FY 2022-23, the bill requires an appropriation of $41,092 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies and 0.5 FTE.

State and Local Government Contacts

Information Technology	Regulatory Agencies