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LB 1064

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		See Below		
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS		See Below		
TOTAL FUNDS				

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 1064 allows the purchase of sickness and accident insurance from a surplus lines licensee if an applicant cannot procure the necessary insurance from an admitted insurer.

The bill increases the premium tax revenue received by the state, if individuals purchase sickness and accident insurance through the surplus lines market. The Department of Insurance indicates the premium tax rate for surplus lines licensees is 3% versus a premium tax rate of 1% for individual sickness and accident insurance and .5% for group sickness and accident insurance sold by admitted insurers. The amount of increased premium tax revenue is unknown and depends upon the sickness and accident insurance sold by surplus lines insurers pursuant to the bill. Increased premium tax revenue accrues to the General Fund (40%), Mutual Assistance Fund (10%) and the Insurance Tax Fund (50%). The Insurance Tax Fund is allocated to schools (60%), the Municipal Equalization Fund (30%) and counties (10%).

Premium tax revenue may also be impacted by the bill in another way. Currently, the Life and Health Guaranty Fund does not cover risks for surplus lines insurance. So, there would be no coverage by the guaranty fund for any sickness and accident insurance coverage shifted to a surplus lines insurer that becomes insolvent. This would eliminate a premium tax offset that is allowed admitted insurers for assessments by the guaranty fund.