

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1699

SHORT TITLE: Insurance License Fees/Reciprocity/AB
(Committee Substitute #2)

SPONSOR(S): Rep. Hurley

FISCAL IMPACT

	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>
REVENUES	(\$11,050)	(\$11,050)	(\$11,050)	(\$11,050)	(\$11,050)

Note: Revenue from the annual fee and the application fee may increase if the revised reciprocity provisions result in an increase in the number of nonresident producers. However, no estimate of potential increases in revenue is available at this time.

EXPENDITURES

POSITIONS: 0

**PRINCIPAL DEPARTMENT(S) &
PROGRAM(S) AFFECTED:** Department of Insurance

EFFECTIVE DATE: Sections 8 and 9 become effective September 1, 2000. The remainder is effective when it becomes law.

BILL SUMMARY: Section 1 reduces the annual licensing fee for nonresident insurance brokers from \$100 to \$50. Section 2 of the bill adds a new section to Article 33 of Chapter 58 to comply with the reciprocity requirements in the federal Gramm-Leach-Bliley Act (Public Law 106-102) and to establish a procedure for nonresident producers to obtain a license in North Carolina. It sets forth the procedures a nonresident person must follow to obtain a nonresident producer license. These provisions are modeled after the Producer Licensing Model Act drafted and adopted by the National Association of Insurance Commissioners.

Section 4 changes the applicable examination requirements for financial analysts and examiners who work for the Department of Insurance.

Section 8 of the bill increases the surety bond applicants licensed as dealers or set-up contractors must furnish. It increases the bond for a dealer with one place of business to \$35,000. A dealer with more than one business must furnish \$25,000 for each additional place of business. Currently those with four or less must furnish \$25,000 and others furnish \$50,000. The bill also increases the bond for a set up contractor from \$5,000 to \$10,000.

Section 9 of the bill requires manufactured housing licensees to notify the Manufacturing Housing Board within 30 days of any change in address, ownership control, or bankruptcy.

Section 10 of the bill eliminates the requirement that the Commissioner of Insurance review plans for county, city and school district buildings comprising less than 10,000 square feet.

Sections 3, 5, 6, and 7 make some technical changes and clarifications of miscellaneous insurance provisions.

ASSUMPTIONS AND METHODOLOGY:

Sections 1 and 2: The bill reduces the annual fee for a nonresident broker license and it establishes procedures for nonresident brokers and agents to obtain a license in the State. The changes impact the revenue from the annual license fee and it also has the potential to impact the workload for processing applications for nonresident producers.

Section 1 of the bill reduces the annual nonresident broker license fee from \$100.00 to \$50.00. For 1998-99, there were 221 nonresident brokers. Assuming the number of nonresident brokers remains constant, the total revenue from the nonresident broker license fee would *decrease* by \$11,050 annually. Assuming, however, that implementation of section 2, which establishes a procedure for nonresident producers to obtain a license in North Carolina, will result in an increase in the number of nonresident producer applicants, the revenue from the application fee (currently \$30) and the annual fee (\$50 as revised by Section 1 of the bill) may increase. At this time no data is available upon which to estimate what revenue increases, if any, will be.

Also, as noted above, Section 2 establishes procedures for a nonresident producer to obtain a license in the State. The Department believes that administering the reciprocity requirements will not significantly impact its current workload and estimates that implementation of this portion of the bill will have no fiscal impact.

Section 10: This section eliminates the current requirement that the Commissioner review plans for city, county or school district buildings that are less than 10,000 square feet. Currently, the Office of the Fire Marshall's Engineering Division in the Department of Insurance reviews the building plans for all non-State owned buildings including those for use by a city, county or school district. Because of the number of plans submitted, there is a backlog for completing the initial review. The current turnaround time for the initial review of a set of plans is 5-8 weeks. Eliminating the need to review the plans for city, county, or school district buildings with less than 10,000 square feet will reduce the workload. However, the reduction in the workload is not expected to result in the need for fewer positions. Rather, the reduced workload should allow the Department to complete its initial review of plans on a more timely basis and reduce the backlog.

Remaining Sections: Sections 3, 5, and 6 make technical changes and clarifications of miscellaneous insurance provisions. Section 4 changes the applicable examination requirement

for financial analysts and examiners. Section 7 restricts the definition of a motor club district or association branch office. These sections are primarily technical or clarifying in nature. The implementation of these changes has no impact on the workload and no fiscal impact on the department.

Section 8 increases the bond that a dealer or set-up contractor must furnish. Section 9 requires manufactured homes licensees to notify the Board of any change in address, ownership control or bankruptcy petition within 30 days. The bond increase and the notification provision have no impact on the Department's revenue or its workload

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

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DATE: June 28, 2000



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