

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1001 HB	<b>Title:</b> Service contract providers	<b>Agency:</b> 160-Office of Insurance Commissioner
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2020	FY 2021	2019-21	2021-23	2023-25
General Fund-State 001-1	2,160	3,920	6,080	13,120	20,160
<b>Total \$</b>	2,160	3,920	6,080	13,120	20,160

### Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.3	0.1	0.2	0.0	0.0
<b>Account</b>					
Insurance Commissioners Regulatory Account-State 138-1	45,316	15,116	60,432	8,186	8,186
<b>Total \$</b>	45,316	15,116	60,432	8,186	8,186

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 1 expands the application of service contract provider laws (48.110 RCW) to include plumbing, electrical, heating and cooling systems and similar systems including items intended to be attached to or installed in any real property.

Section 2(c)(i) changes the solvency requirement to require service contract provider applicants, on its most recent audited financial statements, to prove that the applicant has and maintains a net worth or stockholder's equity of \$200,000 or more and the ability to pay its debts when debts become due.

Section 6 provides the acceptable accounting principles to be used when calculating minimum net worth or stockholder equity.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

Section 1 expands the application of service contract provider laws (48.110 RCW) to include plumbing, electrical, heating and cooling systems and similar systems. It is assumed that 8 additional service contract provider registrations will be issued each year beginning in FY2020. The fee for the initial registration is \$250 (48.110.030(2)(d)), the renewal fee is \$200 each year (48.110.030(5)) and the filing fee is \$20 each year (48.110.040(2)) .

FY2020: \$2,000 (8 applicants @\$250) PLUS \$160 (8 filing fees @\$20) = \$2,160

FY2021: \$2,000 (8 applicants @\$250) PLUS \$1,600 (8 renewals @\$200) PLUS \$320 (16 filing fees @\$20) = \$3,920

FY2022: \$2,000 (8 applicants @\$250) PLUS \$3,200 (16 renewals @\$200) PLUS \$480 (24 filing fees @\$20) = \$5,680

FY2023: \$2,000 (8 applicants @\$250) PLUS \$4,800 (24 renewals @\$200) PLUS \$640 (32 filing fees @\$20) = \$7,440

FY2024: \$2,000 (8 applicants @\$250) PLUS \$6,400 (32 renewals @\$200) PLUS \$800 (40 filing fees @\$20) = \$9,200

FY2025: \$2,000 (8 applicants @\$250) PLUS \$8,000 (40 renewals @\$200) PLUS \$960 (48 filing fees @\$20) = \$10,960

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Section 2(c)(i) requires service contract provider applicants, on its most recent audited financial statements, to prove that the applicant has and maintains a net worth or stockholder's equity of \$200,000 or more and the ability to pay its debts when debts become due. It is assumed that 8 additional service contract provider registrations will be issued each year beginning in FY2020. Additionally, OIC estimates that 20 existing registrants will seek to add the expanded authority to their registrations in FY2020 and 20 will add the expanded authority in FY2021. Each application will require approximately 4 hours of analysis and 2 hours of supervisor review.

The Office of Insurance Commissioner's current proposed rule (R 2016-23) addresses the solvency and reporting for service contract providers and conflicts with section 2 and 3's definition of solvency. A rule defining statutory accounting principles will also need to be completed. This is expected to be a 'normal' rulemaking.

**Ongoing Costs:**

Salary, benefits and associated costs for .02 FTE Functional Program Analyst 4 and .01 FTE Licensing/Holding Company Manager beginning in FY2020.

**One-time Costs:**

Salary, benefits and associated costs for a 'normal' rulemaking process in FY2020.

Salary, benefits and associated costs for .05 FTE Functional Program Analyst 4 and .03 FTE Licensing/Holding Company Manager in FY2020 and FY2021.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
138-1	Insurance Commissioners Regulatory Account	State	45,316	15,116	60,432	8,186	8,186
<b>Total \$</b>			45,316	15,116	60,432	8,186	8,186

#### III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.3	0.1	0.2	0.0	0.0
A-Salaries and Wages	27,173	9,002	36,175	4,870	4,870
B-Employee Benefits	9,080	3,091	12,171	1,678	1,678
C-Professional Service Contracts					
E-Goods and Other Services	9,063	3,023	12,086	1,638	1,638
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	45,316	15,116	60,432	8,186	8,186

#### III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2020	FY 2021	2019-21	2021-23	2023-25
Functional Program Analyst 4	73,908	0.1	0.1	0.1	0.0	0.0
Licensing/Holding Company Mgr	95,700	0.0	0.0	0.0	0.0	0.0
Senior Policy Analyst	96,504	0.2		0.1		
<b>Total FTEs</b>		0.3	0.1	0.2	0.0	0.0

### Part IV: Capital Budget Impact

None

## **Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

The Office of Insurance Commissioner's current proposed rule (R 2016-23) addresses the solvency and reporting for service contract providers and conflicts with section 2 and 3's definition of solvency. A rule defining statutory accounting principles will also need to be completed. This is expected to be a 'normal' rulemaking.