

Individual State Agency Fiscal Note

Bill Number: 1266 S HB	Title: Insurance comnr./email	Agency: 160-Office of Insurance Commissioner
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Insurance Commissioners Regulatory Account-State 138-1	(96,360)		(96,360)		
Total \$	(96,360)		(96,360)		

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.3	0.3	0.8	0.3	0.3
Account					
Insurance Commissioners Regulatory Account-State 138-1	161,701	28,368	190,069	56,736	56,736
Total \$	161,701	28,368	190,069	56,736	56,736

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

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1(12) requires licensees to inform the Office of Insurance Commissioner (OIC) of any change of email address within 30 days of the change. Failure to timely inform the OIC of a change in email address may result in a penalty.

Sections 2(3)(b) and 4(3)(b) require every insurance licensee and surplus line broker to provide the OIC with a current email address and allows the OIC to send written communication by email to a licensee's last email address of record if the person has affirmatively consented to receive communications from the OIC by email.

Sections 2(4) and 4(9) exclude email communication sent to an applicant prior to the issuance of a license, and auto-generated system emails regarding a license application or license renewal processes, from the requirements of Sections 2(3) and 4(8)

Section 5(1)(a) requires OIC to develop and implement a process for affected licensees to petition for the removal of any disciplinary investigations and orders on the affected licensee's public disciplinary record related solely to an email-based violation of RCW 48.15.103 or 48.17.475 as those sections existed prior to July 1, 2023. Upon receipt of a petition with appropriate documentation, the OIC is required to immediately remove any related disciplinary investigations and orders from the affected licensee's public disciplinary record.

Section 5(2) requires the OIC to identify the amount of money collected as fines from each affected licensee solely for email-based violations of RCW 48.15.103 or 48.17.475 as those sections existed prior to July 1, 2023, and, as soon as practicable, refund such money to each affected licensee from the existing operating budget for the OIC.

Section 7 states that this law would take effect on July 1, 2023.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

For purposes of this fiscal note, the Office of Insurance Commissioner (OIC) assumes the OIC will need to look back 20 years.

Section 5(2) requires the Office of Insurance Commissioner (OIC) to identify the amount of money collected as fines from each affected licensee solely for email-based violations of RCW 48.15.103 or 48.17.475 as those sections existed prior to July 1, 2023, and, as soon as practicable, refund such money to each affected licensee from the existing operating budget for the OIC.

From 2002 through 2022, there were approximately 324 cases (162 cases between 2018 and 2022; and an assumed 162 cases between 2002 and 2017) where licensees only violated RCW 48.17.475 failure to respond.

The OIC assumes that 90% of the 324 cases, or 292 cases, where licensees only violated RCW 48.17.475 failure to respond will request a refund. The average fine amount for this type of violation is \$330, requiring one-time refunds totaling \$96,360 (292 cases x \$330) in FY2024.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

For purposes of this fiscal note, the Office of Insurance Commissioner (OIC) assumes the OIC will need to look back 20 years.

Sections 2(3)(b) and 4(3)(b) require every insurance licensee and surplus line broker to provide the OIC with a current email address and allows the OIC to send written communication by email to a licensee’s last email address of record if the person has affirmatively consented to receive communications from the OIC by email. The OIC will be required to develop a process for licensees to affirmatively consent to receiving emails, as well as sending notices via USPS. OIC assumes, beginning in FY2024, it will require 10 hours a week, or a total of 520 hours a year, of an Insurance Technician 3 to monitor compliance, print, scan, and mail notices, and track those who have attested to receive emails.

Section 5(1)(a) requires OIC to develop and implement a process for affected licensees to petition for the removal of any disciplinary investigations and orders on the affected licensee’s public disciplinary record related solely to an email-based violation of RCW 48.15.103 or 48.17.475. Upon receipt of a petition with appropriate documentation, the OIC is required to immediately remove any related disciplinary investigations and orders from the affected licensee’s public disciplinary record. From 2002 through 2022, there were 324 cases where licensees only violated RCW 48.17.475 failure to respond. The OIC assumes that 90% of the 324 cases, or 292 cases, where licensees only violated RCW 48.17.475 failure to respond will petition for the removal of disciplinary investigations and order from their disciplinary record. The OIC will require one-time costs, in FY2024, of 73 hours (292 cases x 15 minutes), of an Insurance Technician 3 to review petitions and refer them to OIC Legal Affairs. The OIC assumes it will take three hours of a Paralegal 2 and one hour of an Insurance Enforcement Specialist to process each petition requiring a one-time cost in FY2024 of 876 hours (292 cases x 3 hour) of a Paralegal 2 and 292 hours (292 cases x 1 hour) of an Insurance Enforcement Specialist.

Section 5(2) requires the OIC to identify the amount of money collected as fines from each affected licensee for email-based violations of RCW 48.15.103 or 48.17.475 and, as soon as practicable, refund such money to each affected licensee from the existing operating budget for the OIC. From 2002 through 2022, there were 324 cases where licensees only violated RCW 48.17.475 failure to respond. The OIC assumes that 90% of the 324 cases, or 292 cases will request a refund. The OIC assumes one-time costs, in FY2024, of 5 hours for a Functional Program Analyst 4 to identify the amount of money collected and 12 hours of a Fiscal Technician 3 to process up to 292 refunds.

Many of the email requirements of this bill are currently provided in WAC 284-17. These rules would need to be eliminated for duplicity reasons. As the bill is currently written, it would require ‘normal’ rulemaking, in FY2024, to clarify areas in question and work with industry.

Section 7 states that this law would take effect on July 1, 2023.

Ongoing Costs:

Salary, benefits and associated costs for .32 FTE Insurance Technician 3.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
138-1	Insurance Commissioners Regulatory Account	State	161,701	28,368	190,069	56,736	56,736
Total \$			161,701	28,368	190,069	56,736	56,736

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.3	0.3	0.8	0.3	0.3
A-Salaries and Wages	94,084	15,410	109,494	30,820	30,820
B-Employee Benefits	35,277	7,284	42,561	14,568	14,568
C-Professional Service Contracts					
E-Goods and Other Services	32,340	5,674	38,014	11,348	11,348
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-					
Total \$	161,701	28,368	190,069	56,736	56,736

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 2024	FY 2025	2023-25	2025-27	2027-29
Fiscal Technician 3	37,152	0.0		0.0		
Functional Program Analyst 4	80,952	0.1		0.0		
Insurance Enforcement Specialist	99,516	0.2		0.1		
Insurance Technician 3	48,156	0.4	0.3	0.4	0.3	0.3
Paralegal 2	69,756	0.5		0.3		
Senior Policy Analyst	108,432	0.2		0.1		
Total FTEs		1.3	0.3	0.8	0.3	0.3

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Many of the email requirements of this bill are currently provided in WAC 284-17. These rules would need to be eliminated for duplicity reasons. As the bill is currently written, it would require ‘normal’ rulemaking, in FY2024, to clarify areas in

question and work with industry.