

Individual State Agency Fiscal Note

Bill Number: 5798 SB	Title: Insurance notices	Agency: 160-Office of Insurance Commissioner
-----------------------------	---------------------------------	---

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	0.7	0.4	0.1	0.0
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	100,638	100,638	15,866	0
Total \$	0	100,638	100,638	15,866	0

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.

Legislative Contact: Kellee Gunn	Phone: 786-7429	Date: 01/05/2024
Agency Preparation: David Forte	Phone: 360-725-7268	Date: 01/10/2024
Agency Approval: Joyce Brake	Phone: 360-725-7041	Date: 01/10/2024
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 01/11/2024

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(1)(a)(i) requires, for all insurance policies other than medical malpractice insurance policies or fire insurance policies canceled under RCW 48.53.040, the insurer to deliver or mail written notice of cancellation to the named insured at least 60 days before the effective date of the cancellation.

Section 2(1)(a)(i)(A) requires, for all insurance policies subject to RCW 48.18.290(1)(a), the insurer to deliver or mail written notice of nonrenewal to the named insured at least 60 days before the expiration date of the policy.

Section 3 prohibits a contract of insurance predicated wholly or in part upon the use of a private passenger automobile from being terminated by cancellation by the insurer until at least 60 days after mailing written notice of cancellation to the named insured.

Section 4 (1)(a)&(b) requires each insurer to renew any contract of insurance subject to RCW 48.18.291 unless:

- the insurer gives named insured at least 60 days of notice in writing as provided for in RCW 48.18.291(1), that it proposes to refuse to renew the insurance contract upon its expiration date.
- at least 60 days prior to its expiration date, the insurer has communicated its willingness to renew in writing to the named insured.

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.

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.

Section 1(1)(a)(i) requires, for all insurance policies other than medical malpractice insurance policies or fire insurance policies canceled under RCW 48.53.040, the insurer to deliver or mail written notice of cancellation to the named insured at least 60 days before the effective date of the cancellation.

Section 2(1)(a)(i)(A) requires, for all insurance policies subject to RCW 48.18.290(1)(a), the insurer to deliver or mail written notice of nonrenewal to the named insured at least 60 days before the expiration date of the policy.

Section 3 prohibits a contract of insurance predicated wholly or in part upon the use of a private passenger automobile from being terminated by cancellation by the insurer until at least 60 days after mailing written notice of cancellation to the named insured.

Section 4 (1)(a)&(b) requires each insurer to renew any contract of insurance subject to RCW 48.18.291 unless:

- the insurer gives named insured at least 60 days of notice in writing as provided for in RCW 48.18.291(1), that it proposes to refuse to renew the insurance contract upon its expiration date.
- at least 60 days prior to its expiration date, the insurer has communicated its willingness to renew in writing to the named insured.

Sections 1 through 4 requires each Life and Disability (L&D) and Property and Casualty (P&C) insurer with forms that provide for the current 45-day or 20-day notice periods to submit a one-time form filing to update the notice period to the new 60-day notice period requirement. Based on the OIC's 2022 Market Information report, the OIC assumes 888 L&D

and 3,873 P&C insurers will be impacted. It is further assumed that 30% of impacted insurers will have more than one form filing per product type resulting in 1,154 L&D form filings (888 form filings x 30% + 888 form filings) and 5,035 P&C filings (3,873 form filings x 30% + 3,873 form filings). Each form filing will require 10 minutes to review requiring one-time costs of 1,032 hours (6,189 form filings x 10 minutes), of a Functional Program Analyst 3 (696 hours) and Functional Program Analyst 4 (336 hours) in FY2025.

The provisions in sections 1 through 4 will lead to an increase in enforcement actions, including hearing demands, as companies adjust to the new requirements. The OIC anticipates an average of an additional 2 enforcement cases in FY2025, FY2026, and FY2027, and one additional hearing in FY2025, to address the change to a 60-day notice period. Enforcement actions require the equivalent of approximately 40 hours per case and hearings require an average of 50 hours per case requiring 130 hours (2 cases x 40 hours + 1 hearing x 50 hours) in FY2025 and 80 hours (2 cases x 40 hours) in FY2026 and FY2027, of an Insurance Attorney.

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	0	100,638	100,638	15,866	0
Total \$			0	100,638	100,638	15,866	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.7	0.4	0.1	
A-Salaries and Wages		59,603	59,603	9,566	
B-Employee Benefits		20,907	20,907	3,126	
C-Professional Service Contracts					
E-Goods and Other Services		20,128	20,128	3,174	
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 \$	0	100,638	100,638	15,866	0

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
Functional Program Analyst 3	78,468		0.4	0.2		
Functional Program Analyst 4	86,712		0.2	0.1		
Insurance Attorney	95,652		0.1	0.0	0.1	
Total FTEs			0.7	0.4	0.1	0.0

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.