

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5798 S SB	<b>Title:</b> Insurance notices	<b>Agency:</b> 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	0.0	0.0	0.4	0.0
<b>Account</b>					
Insurance Commissioners Regulatory Account-State 138-1	0	0	0	108,571	7,933
<b>Total \$</b>	0	0	0	108,571	7,933

### 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: 02/06/2024
Agency Preparation: David Forte	Phone: 360-725-7268	Date: 02/07/2024
Agency Approval: Bryon Welch	Phone: 360-725-7037	Date: 02/07/2024
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 02/08/2024

## 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 30 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 30 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 30 days prior to its expiration date, the insurer has communicated its willingness to renew in writing to the named insured.

Section 5 applies section 1-4 to apply to all affected policies issued or renewed on or after July 1, 2025.

### 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 30 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 30 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 30 days prior to its expiration date, the insurer has communicated its willingness to renew in writing to the named insured.

Section 5 applies section 1-4 to apply to all affected policies issued or renewed on or after July 1, 2025.

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 FY2026.

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 FY2026, FY2027, and FY2028, and one additional hearing in FY2026, 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 FY2026 and 80 hours (2 cases x 40 hours) in FY2027 and FY2028, 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	0	0	108,571	7,933
Total \$			0	0	0	108,571	7,933

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years				0.4	0.0
A-Salaries and Wages				64,386	4,783
B-Employee Benefits				22,470	1,563
C-Professional Service Contracts					
E-Goods and Other Services				21,715	1,587
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	0	0	108,571	7,933

#### 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				0.2	
Functional Program Analyst 4	86,712				0.1	
Insurance Attorney	95,652				0.1	0.0
Total FTEs					0.4	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.*