SB-377
AN ACT AUTHORIZING AGENCY CAPTIVE INSURANCE COMPANIES.

AMENDMENT

LCO No.: 3405
File Copy No.: 336
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OFA Fiscal Note

State Impact:

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Fund-Effect</th>
<th>FY 19 $</th>
<th>FY 20 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking Dept.</td>
<td>CFAF - Revenue Gain</td>
<td>350,000</td>
<td>700,000</td>
</tr>
<tr>
<td>Banking Dept.</td>
<td>BF - Cost</td>
<td>124,255</td>
<td>124,255</td>
</tr>
<tr>
<td>Insurance Dept.</td>
<td>CFAF - Revenue Gain</td>
<td>9.9 million</td>
<td>19.9 million</td>
</tr>
<tr>
<td>Insurance Dept.</td>
<td>IF - Cost</td>
<td>124,255</td>
<td>124,255</td>
</tr>
</tbody>
</table>

Note: CFAF=Crumbling Foundations Assistance Fund; BF=Banking Fund; IF=Insurance Fund

Municipal Impact: None

Explanation

The amendment requires each mortgage lender to collect a ten dollar surcharge per one-to-four family residential mortgage loan from the borrower that is to be remitted to the Banking Commissioner, annually. Revenue collected from the surcharge, which is in effect from July 1, 2018 to June 30, 2025, is deposited in the Crumbling Foundations Assistance Fund. Based upon federal data for Connecticut from the Consumer Financial Protection Bureau,¹ the ten

¹Data collected pursuant to the Home Mortgage Disclosure Act for mortgage loans originated for home purchase and refinancing on one-to-four family dwellings from 2013-2016.

Primary Analyst: MP            4/18/18
Contributing Analyst(s): CG    ()
A dollar surcharge will result in annual revenue of up to approximately $700,000. In FY 19, there will be six months of revenue ($350,000) collected from the surcharge in 2018.

The amendment results in a cost to the Department of Banking of $124,255 annually to support the salary and fringe benefits of a durational Financial Examiner to facilitate the surcharge collection.

The amendment requires each insurer to pay a ten dollar fee and collect a ten dollar surcharge from the insured for each homeowners, renters, condominium unit owners or condominium association/unit owners’ association insurance policy sold to cover property/risks in this state. Admitted insurers and licensed brokers of policies sold by nonadmitted insurers must remit the fees and surcharges to the Insurance Commissioner, annually. As above, revenue collected from the surcharge, which is in effect from July 1, 2018 to June 30, 2025, is deposited in the Crumbling Foundations Assistance Fund. Based on data for Connecticut from the National Association of Insurance Commissioners\(^2\) and the Foundation for Community Association Research,\(^3\) the twenty dollars collected per policy will result in annual revenue of approximately $19.9 million.\(^4\) In FY 19, there will be six months of revenue ($9.9 million) collected from the surcharge in 2018.

The amendment results in a cost to the Insurance Department of $124,255 annually to support the salary and fringe benefits of a durational Fiscal/Administrative Officer to facilitate the fee and surcharge collection.

The amendment also modifies the standard form of fire insurance policy, CGS section 38a-307. The specific changes are not anticipated to result in a fiscal impact to the state or municipalities.

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\(^3\)The *Community Association Fact Book, Statistical Review for 2016*, page 2.

\(^4\)This figure reflects one fee+surcharge per house-year, where house-year represents policy coverage on a dwelling/set of dwellings for 12 months.
The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst’s professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.