

OFFICE OF FISCAL ANALYSIS

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sHB-5503

AN ACT CONCERNING INSURANCE MARKET CONDUCT AND INSURANCE LICENSING, THE INSURANCE DEPARTMENT'S TECHNICAL CORRECTIONS AND OTHER REVISIONS TO THE INSURANCE STATUTES AND CAPTIVE INSURANCE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Insurance Dept.	GF - Potential Revenue Gain	Minimal	Minimal
Insurance Dept.	GF - Revenue Impact	-2.4 million	2.4 million
Department of Revenue Services	GF - Potential Revenue Gain	Minimal	Minimal

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes various unrelated changes to the insurance statutes, resulting in the fiscal impacts below.

Section 1 allows for a penalty of up to \$100,000 to be enforced, which may result in a revenue gain to the General Fund; however, the potential revenue gain is anticipated to be minimal because fines imposed by the Insurance Department (DOI) under current law are typically paid without the type of legal action permitted by the bill.

Sections 3 and 4 change the license renewal timing for motor vehicle physical damage appraisers and casualty claims adjusters, which is anticipated to shift approximately \$2.4 million in General Fund renewal fee revenue from FY 25 to FY 26 (and from odd to even numbered years in the out years to the extent at least the same number of licensees

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continue to renew). The revenue shift associated with existing licensees that continue to renew is estimated to be approximately \$2.4 million.¹ The amount of shift associated with new licensees will depend on the timing of their birthdates and initial licensures.

Licensees currently pay DOI the \$80 renewal fee for the period ending June 30th in each odd-numbered year (e.g., 2025). Under the bill, new initial licensees after October 1, 2024 will pay the renewal fee on their birthday every other year. DOI intends to shift all licensees to the birthday-date expiration schedule, which the department has the discretion to do under the bill, with existing licensees renewing in the 12 months following October 1, 2024. This will result in renewal fee revenue from the \$80 renewal fee being incurred more evenly between odd and even numbered years and does not change the amount of license fee revenue the Insurance Department collects over a two-year period.

Sections 14 and 15 allow sponsored captive insurance companies to convert a protected cell into a new captive insurance company or certain other entities. This may attract new captives to Connecticut or lead existing protected cells to become separate captives. To the extent this flexibility for captives leads additional captives to be established in the state, the bill could result in a General Fund revenue gain beginning as early as FY 25 to DOI, for each new captive, from: (1) application and formation fees of \$1,050, (2) a fee for initial license of \$375, and (3) annual license renewal fees in subsequent fiscal years of \$375.² To the extent new captives are established, the section may also result in a revenue gain to the General Fund from insurance premium taxes beginning in FY 25.

¹According to the Insurance Department, there are currently 5,874 licensed motor vehicle physical damage appraisers and 116,392 licensed casualty claims adjusters. Under current law, fee revenue will total approximately \$9.8 million in FY 25 if all licensees renew. Under the bill, 25% of existing licensees are assumed to pay renewal fees based on birthdays between July 1, 2025 and September 30, 2025, with that \$2.4 million in fee revenue being paid in FY 26.

²According to DOI, there are 42 captive insurance companies fully licensed and currently writing business in Connecticut.

According to DOI there are currently 24 protected cells within sponsored captives. To the extent existing protected cells are converted into new captives, there will be a minimal General Fund revenue gain to DOI associated with those entities paying separate \$375 license fees annually. A converted captive would not pay an initial application fee.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, the timing of applications and renewals of motor vehicle physical damage appraiser and casualty claims adjuster licenses, and the amount of any new captive insurers established and their written premiums.