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Final Fiscal Note

Drafting Number: LLS 24-0644 Date: June 17, 2024
Prime Sponsors: Rep. McCluskie; Amabile Bill Status: Signed into Law
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Bill Topic: INSURANCE COMMISSIONER STUDY INSURANCE MARKET

Summary of Fiscal Impact:
State Revenue [ ] State Diversion [x] Local Government [ ]
State Expenditure [x] TABOR Refund [ ] Statutory Public Entity [ ]

The bill commissions a market study of property and casualty insurance for homeowners' associations and owners of lodging facilities. It creates a General Fund diversion and increases state expenditures in FY 2024-25 and FY 2025-26 only.

Appropriation Summary: For FY 2024-25, the bill requires and includes an appropriation of \$329,863 to the Department of Regulatory Agencies.

Fiscal Note Status: This final fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 24-1108

Table with 4 columns: Category, Budget Year FY 2024-25, Out Year FY 2025-26. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total Expenditures, Total FTE), Diversions (General Fund, Cash Funds, Net Diversion), and Other Budget Impacts.

## Summary of Legislation

The bill requires the Division of Insurance in the Department of Regulatory Agencies (DORA) to conduct or commission a study of property and casualty insurance policies for homeowner associations (HOAs) and lodging facilities. The Commissioner of Insurance must submit a report to the General Assembly by January 1, 2026, that includes:

- current market conditions;
- availability of insurance coverage;
- affordability of insurance coverage;
- areas of the state with insurance availability concerns;
- recommendations for long-term sustainability and availability of property and casualty insurance policies; and
- the prevalence and impact of captive insurance companies formed by an HOA or owner.

The bill authorizes the commissioner or contracted entity to collect specific data from insurers and requires engagement with any interested party through the course of the study. The bill is repealed on July 1, 2026.

## State Diversion

This bill diverts General Fund to the Division of Insurance Cash Fund in FY 2024-25 and FY 2025-26. This revenue diversion occurs because the bill increases costs in the Division of Insurance in the Department of Regulatory Agencies, which is funded with premium tax revenue that is otherwise credited to the General Fund.

## State Expenditures

The bill increases state expenditures in DORA by about \$336,000 in FY 2024-25 and about \$24,000 in FY 2025-26, paid from the Division of Insurance Cash Fund, to collect data and hire an actuarial contractor to conduct a statewide property and casualty insurance study. Expenditures are shown in Table 2 and detailed below.

**Table 2**  
**Expenditures Under HB 24-1108**

	<b>FY 2024-25</b>	<b>FY 2025-26</b>
<b>Department of Regulatory Agencies</b>		
Personal Services	\$29,863	\$19,909
Contract Study	\$300,000	-
Centrally Appropriated Costs <sup>1</sup>	\$6,396	\$4,264
<b>Total Cost</b>	<b>\$336,258</b>	<b>\$24,172</b>
<b>Total FTE</b>	<b>0.3 FTE</b>	<b>0.2 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Staff.** DORA requires 0.2 FTE Actuary II beginning in FY 2024-25 to request, review, and analyze carrier data that is not currently filed with the division. Additionally, 0.1 FTE Actuary II will hire and manage the contractor for the study. Staff costs and FTE are prorated in the first year based on the bill's effective date and conclude in January 2026, upon delivery of the study.

**Contract study.** DORA requires an estimated \$300,000 to hire an actuarial firm to conduct market research on property and casualty insurers, determine affordability and availability of coverage, identify areas of concern, develop recommendations for long-term sustainability, and generate a report. Based on the level of detail required by the bill, the fiscal note assumes that a contractor will perform 750 hours of work at an estimated \$400 per hour. Actual costs will be determined through the contracting process. Expenditure for the contract study are shown in FY 2024-25; however, actual spending will span both FY 2024-25 and FY 2025-26.

**Legal services.** DORA may require legal services, provided by the Department of Law, which can be accomplished within existing legal services appropriations. Legal counsel is related to contract language and implementation of the study.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

## Effective Date

The bill was signed into law by the Governor on May 31, 2024, and takes effect on August 7, 2024, assuming no referendum petition is filed.

## State Appropriations

For FY 2024-25, the bill requires and includes an appropriation of \$329,863 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies, and 0.3 FTE. Of this amount, \$300,000 requires roll-forward spending authority through FY 2025-26.

## State and Local Government Contacts

Law

Personnel

Regulatory Agencies

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).