

FISCAL ESTIMATE  
DOA-2048 N

ORIGINAL       UPDATED  
 CORRECTED       SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.  
LRB-2635/1 SB160  
Amendment No. if Applicable

**Subject**

This bill establishes procedures for property and casualty insurers to use in setting auto insurance premiums in Milwaukee.

**Fiscal Effect**

State:  No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget  Yes  No

Increase Existing Appropriation       Increase Existing Revenues  
 Decrease Existing Appropriation       Decrease Existing Revenues  
 Create New Appropriation

Decrease Costs

Local:  No local government costs

1.  Increase Costs  
     Permissive       Mandatory  
2.  Decrease Costs  
     Permissive       Mandatory

3.  Increase Revenues  
     Permissive       Mandatory  
4.  Decrease Revenues  
     Permissive       Mandatory

5. Types of Local Governmental Units Affected:  
 Towns       Villages       Cities  
 Counties       Others \_\_\_\_\_  
 School Districts       WTCS Districts

**Fund Sources Affected**

GPR  FED  PRO  PRS  SEG  SEG-S

**Affected Ch. 20 Appropriations**

20.145(1)(g)

**Assumptions Used in Arriving at Fiscal Estimate**

This bill proposes an expansion of OCI regulatory authority over auto insurance premiums. Currently, insurers are permitted to adjust premiums by filing notice with OCI in advance of using the new premium schedule. Under this bill OCI would be required to review premium changes as they are filed to ensure they are consistent with the bill's requirements.

Currently, there are 252 insurers authorized to write private passenger auto insurance in Wisconsin. The bill permits different rate structures for each type of vehicle affected by the bill and for the different classifications of policies, standard or substandard. Most insurers currently adjust auto insurance premiums at least annually. OCI anticipates that, at least initially, insurers would be adjusting premiums more frequently until the market impact of this bill is determined. OCI also now has experience with a similar rate banding approach to premiums with the small employer health insurance requirements that suggest insurers are likely to adjust premiums more frequently until the market impact of the proposed change is determined. Based on these assumptions, OCI anticipates at least 1000 rate filings annually. In order to ensure premiums are reviewed timely, 1.0 FTE Actuary 2 would be required. The Actuary would review the rate filings for consistency with the statute and any administrative rules that are developed.

OCI would also be required to develop administrative rules to implement the rate provisions of the bill. The cost of developing the rules would be absorbed by the agency.

**Long-Range Fiscal Implications**

Permanent increase to OCI staffing to ensure timely review of auto insurer premium filings

Agency/Prepared by: (Name & Phone No.)

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Date

6/7/1999

**FISCAL ESTIMATE WORKSHEET**

1999 Session

Detailed Estimate of Annual Fiscal Effect  
DOA-2047

ORIGINAL  UPDATED  
 CORRECTED  SUPPLEMENTAL

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LRB2635/1 SB160

Amendment No.

Subject  
This bill establishes procedures for property and casualty insurers to use in setting auto insurance premiums in Milwaukee.

**I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**  
\$7,000 for a workstation and personal computer with software

II. Annualized Costs		Annualized Fiscal Impact on State funds from:	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations – Salaries and Fringes		\$ 55,700	\$ -
(FTE Position Changes)		( 1.0 FTE)	(- FTE)
State Operations – Other Costs		3,300	-
Local Assistance			-
Aids to Individuals or Organizations			-
<b>TOTAL State Costs by Category</b>		<b>\$ 59,000</b>	<b>\$ -</b>
<b>B. State Costs by Source of Funds</b>		<b>Increased Costs</b>	<b>Decreased Costs</b>
GPR		\$	\$ -
FED			-
PRO/PRS		59,000	-
SEG/SEG-S			-
<b>III. State Revenues—</b>		<b>Increased Rev.</b>	<b>Decreased Rev.</b>
Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
GPR Taxes		\$	\$ -
GPR Earned			-
FED			-
PRO/PRS		59,000	-
SEG/SEG-S			-
<b>TOTAL State Revenues</b>		<b>\$ 59,000</b>	<b>\$ -</b>

**NET ANNUALIZED FISCAL IMPACT**  
STATE

LOCAL

NET CHANGE IN COSTS                      \$ 59,000                      \$ \_\_\_\_\_

NET CHANGE IN REVENUE                      \$ 59,000                      \$ \_\_\_\_\_

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Date  
06/07/99