

Fiscal Estimate Narratives

OCI 1/13/2016

LRB Number	15-3374/1	Introduction Number	AB-0584	Estimate Type	Original
Description Rate regulations, assessment levies, and dividends for the local government property insurance fund					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a financial standard for LGPIF that is consistent with how OCI regulates other insurers. It requires LGPIF to meet a minimum surplus standard of 2:1 or 200%. This means LGPIF must hold at least \$1 in reserves to every \$2 in premiums collected, net of reinsurance. This standard is consistent with a similar standard that would be applied to insurers.

The bill also requires LGPIF to target a maximum surplus of approximately 1:2.2. That is the LGPIF should not hold more than \$2.22 in reserves for every dollar of premium collected.

These two standards ensure LGPIF will be required to be priced appropriately, based on the risk.

The bill also requires LGPIF to assess members when the surplus is below the targeted amount or provide a refund when the surplus is exceeded.

This bill will have no impact on the administrative cost of operating the Fund.

There is no impact on state and local governments.

Long-Range Fiscal Implications

None.