



## Fiscal Estimate Narratives

OCI 4/20/2005

|   |           |                     |        |               |          |
|---|-----------|---------------------|--------|---------------|----------|
| LRB Number  | 05-0205/4 | Introduction Number | AB-222 | Estimate Type | Original |
| <b>Subject</b>  |           |                     |        |               |          |
| Environmental claims coverage under liability insurance |           |                     |        |               |          |

### Assumptions Used in Arriving at Fiscal Estimate

The Bill creates a new section in the insurance chapter, s. 632.28, Wis. Stat.

This estimate is based on the assumption that the statute applies to future policies and future claims, and that Section 10 of AB222 applies the statutory changes to existing claims and to future policies and claims.

This estimate assumes there will be extensive form filing work, bulletin/instructional work, and monitoring to do in the future. Many property and casualty insurers offer liability coverage that includes a pollution component. In addition there are probably multiple variations of policies within each insurance company.

This estimate assumes that the new statute could bring these tasks to OCI:

1. Receive and review new policy form filings of new policies and endorsements for existing policies to comply with 'statutory mandates' itemized in the Bill:

- New definitions for policies that include coverage for pollution liability
- Language to facilitate the subrogation activities between insurers
- It is likely important that some type of Financial monitoring of claims be done to find out when major claims are being 'assigned' to certain insurers

2. Meet with and give instruction to the industry regarding compliance to s. 632.28

3. Monitor the availability – or the change in that availability – of pollution related coverages in Wisconsin (caused by the industry becoming unwilling to provide the mandated coverage/claim-assignment)

- This would require some type of surveying
- As availability changes, OCI would be called upon to negotiate or at least be a part of activities to improve availability

4. Monitor and probably determine when good-faith claim settlement occurs in order to show compliance

5. Resolve complaints about the specific statutory requirements

AB 222 is ambiguous in its applicability. While the phrase "general liability insurance policy" often refers to a commercial general liability policy, the bill does not define the term and it could easily be interpreted to mean any policy that covers "general liability" such as a homeowner or farmowner policy rather than to apply only to commercial policies. If AB 222 is meant to include personal liability policies, the frequency of occurrence of the tasks enumerated above will significantly increase.

Given the above, OCI estimates that the tasks enumerated above in points 1 through 5 would require a minimum of two Insurance Examiner positions and one staff attorney to accomplish the regulatory obligations that result or from AB 222.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

|  |  |  |                 |
|--|--|--|-----------------|
| <b>LRB Number</b> 05-0205/4  |  | <b>Introduction Number</b> AB-222              |                 |
| <b>Subject</b>   |  |  |                 |
| Environmental claims coverage under liability insurance  |  |  |                 |
| <b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>                                |  |  |                 |
| <b>II. Annualized Costs:</b>   |  | <b>Annualized Fiscal Impact on funds from:</b> |                 |
|  |  | Increased Costs                                | Decreased Costs |
| <b>A. State Costs by Category</b>  |  |  |                 |
| State Operations - Salaries and Fringes  |  | \$194,353                                      |                 |
| (FTE Position Changes)   |  | (3.0 FTE)                                      |                 |
| State Operations - Other Costs   |  |  |                 |
| Local Assistance   |  |  |                 |
| Aids to Individuals or Organizations   |  |  |                 |
| <b>TOTAL State Costs by Category</b>   |  | <b>\$194,353</b>                               | <b>\$</b>       |
| <b>B. State Costs by Source of Funds</b>   |  |  |                 |
| GPR  |  |  |                 |
| FED  |  |  |                 |
| PRO/PRS  |  | 194,353  |                 |
| SEG/SEG-S  |  |  |                 |
| <b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b> |  |  |                 |
|  |  | Increased Rev                                  | Decreased Rev   |
| GPR Taxes  |  | \$   | \$              |
| GPR Earned   |  |  |                 |
| FED  |  |  |                 |
| PRO/PRS  |  |  |                 |
| SEG/SEG-S  |  |  |                 |
| <b>TOTAL State Revenues</b>  |  | <b>\$</b>                                      | <b>\$</b>       |
| <b>NET ANNUALIZED FISCAL IMPACT</b>  |  |  |                 |
|  |  | <u>State</u>                                   | <u>Local</u>    |
| NET CHANGE IN COSTS  |  | \$194,353                                      | \$              |
| NET CHANGE IN REVENUE  |  | \$   | \$              |
| <b>Agency/Prepared By</b>  |  | <b>Authorized Signature</b>                    | <b>Date</b>     |
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