

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-3789/1	Introduction Number SB-437
Description Rate regulations, assessment levies, and dividends for the local government property insurance fund	
Fiscal Effect	
State:	
<input checked="" type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
Local:	
<input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Affected Ch. 20 Appropriations	
Agency/Prepared By	Authorized Signature
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Date	
1/13/2016	

Fiscal Estimate Narratives

OCI 1/13/2016

LRB Number	15-3789/1	Introduction Number	SB-437	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.