



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** SB0235

**Title:** Generally revise homeowners' insurance laws relating to rates

**Primary Sponsor:** Morigeau, Shane A

**Status:** As Introduced

- Significant Local Gov Impact     
  Needs to be included in HB 2     
  Technical Concerns  
 Included in the Executive Budget     
  Significant Long-Term Impacts     
  Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$221,100)	(\$470,943)	(\$752,381)	(\$1,068,523)
State Special Revenue	(\$108,900)	(\$231,957)	(\$370,576)	(\$526,287)
<b>Net Impact-General Fund Balance:</b>	<u>(\$221,100)</u>	<u>(\$470,943)</u>	<u>(\$752,381)</u>	<u>(\$1,068,523)</u>

**Description of fiscal impact:** This bill limits property insurance premium increases, on any home occupied by an insured as a domicile, to no more than 5% annually. Capping the homeowner's insurance policy premium increases at 5% will reduce general fund revenues by \$692,043 in the 2023 biennium and by \$1,820,904 in the 2025 biennium.

### FISCAL ANALYSIS

#### Assumptions:

1. Based on current market conditions, the State Auditor's Office estimates that homeowner's insurance policy premiums increase by approximately 8% annually.
2. If homeowner's insurance policy premium increases are capped at 5%, there will be an approximate 3% reduction in annual homeowner's insurance premium tax revenues each fiscal year.
3. This 3% reduction will apply to homeowner's insurance policies that are entered into, or renewed after, the effective date of this legislation.
4. The following table shows estimated insurance premium tax revenues with, and without, the 5% cap imposed in SB 235:

	Base HO Premium	FY 2022	FY 2023	FY 2024	FY 2025
<b>Present Law (8% growth)</b>	400,000,000	432,000,000	466,560,000	503,884,800	544,195,584
<b>Proposal (5% growth)</b>	400,000,000	420,000,000	441,000,000	463,050,000	486,202,500
<b>Difference</b>	-	(12,000,000)	(25,560,000)	(40,834,800)	(57,993,084)
<b>Tax at 2.75%</b>	-	(330,000)	(702,900)	(1,122,957)	(1,594,810)
<b>GF Impact</b>	-	(221,100)	(470,943)	(752,381)	(1,068,523)
<b>SSR Impact</b>	-	(108,900)	(231,957)	(370,576)	(526,287)
<b>Total</b>	-	(330,000)	(702,900)	(1,122,957)	(1,594,810)

- The estimated decrease in homeowner’s insurance premium tax revenue is \$330,000 in FY 2022, \$702,900 in FY 2023, \$1,122,957 in FY 2024, and \$1,594,810 in FY 2025.
- The impact to General Fund premium tax revenues is estimated to be a reduction of \$221,100 in FY 2022, \$470,943 in FY 2023, \$752,381 in FY 2024, and \$1,068,523 in FY 2025.

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b>FTE</b>	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$221,100)	(\$470,943)	(\$752,381)	(\$1,068,523)
State Special Revenue (02)	(\$108,900)	(\$231,957)	(\$370,576)	(\$526,287)
<b>TOTAL Revenues</b>	<u>(\$330,000)</u>	<u>(\$702,900)</u>	<u>(\$1,122,957)</u>	<u>(\$1,594,810)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$221,100)	(\$470,943)	(\$752,381)	(\$1,068,523)
State Special Revenue (02)	(\$108,900)	(\$231,957)	(\$370,576)	(\$526,287)

**NO SPONSOR SIGNATURE**

Sponsor’s Initials

Date

Budget Director’s Initials

Date

2/22

KA

2/19/21