

LEGISLATIVE FISCAL OFFICE
Fiscal Note

ACT 312

Fiscal Note On: **HB 746** HLS 16RS 817

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:



Date: June 21, 2016 9:41 AM	Author: THIBAUT
Dept./Agy.: Louisiana Department of Insurance	Analyst: Willis Brewer
Subject: Requires insurance consultants to be licensed and regulated	

INSURANCE

EN INCREASE SG RV See Note

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Provides for licensing and regulation of insurance consultants by the commissioner of insurance.

Proposed law requires insurance "consultants" to be licensed and regulated by the Louisiana Department of Insurance (LDI), with an initial term of two years, followed by renewals at two year intervals. Proposed law requires three hours of continuation education dedicated to flood insurance. Proposed law establishes fees for the initial license and for each renewal. Proposed law defines "insurance consultant" as any person or entity that offers any advice, counsel, opinion, or related services for a fee or other valuable consideration with respect to risk evaluation or management, the benefits, coverages, exclusions, or provisions under any policy of insurance to be issued in this state, or involving the advantages or disadvantages of any such policy of insurance or any formal plan of managing risk. Proposed law allows an insurance consultant to be licensed for the insurance lines of life, health and accident, variable life and variable annuity products, property, and casualty. Proposed law requires LDI commissioner to develop and conduct written examinations for these consultants to pass within 75th percentile or to contract this and require the applicant to pay for these expenses.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

The proposed law will require the department to register and license Insurance Consultants. The Louisiana Department of Insurance (LDI) currently has a web-based data system (portal) that is used to register and license Insurance Producers. LDI has indicated this web based portal will require additional information technology programming to track Insurance Consultants. There is no anticipated additional cost since the vendor that maintains this portal can make these necessary changes within the existing information technology maintenance contract. In addition, LDI has been requiring Insurance Producers to use and pass examinations provided by PSI Exams Online testing service prior to being licensed by LDI. LDI has indicated this testing service will also be used by Insurance Consultants and the cost will be paid directly by the applicant.

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REVENUE EXPLANATION

This measure is anticipated to increase revenues of the Louisiana Department of Insurance (LDI) as a result of a first time applicant fee (\$75) and renewal fee (\$50) for insurance consultants that will be licensed for the insurance lines of life, health and accident, variable life and variable annuity products, property, and casualty. However, the number of Insurance Consultants that would be required to apply is indeterminable.

Several other states that require insurance consultants to be registered and licensed were surveyed and there was a wide range of consultants per state (6 - 1,456 consultants). As an illustrative example, using the surveyed information as a minimum or maximum, the estimated revenue from this measure ranges from \$450 to \$109,200 the first year and \$300 - \$72,800 every other year (renewal periods).

Senate Dual Referral Rules House

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| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Evan Brasseaux

Evan Brasseaux
Staff Director

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CONTINUED EXPLANATION from page one:

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Currently, the department has approximately 10.75 Full-time equivalent (FTE) employees (or 22,360 work hours = 10.75*2,080 annual work hours) in their producer licensing division that are responsible for the licensing and regulating of Insurance Producers. This includes examining applications, performing background checks, providing guidance and instruction to applicants and licensed producers, oversight of the testing program, record keeping of revoked/suspended licenses, tracking of continuing education credits, and responding to public inquiries.

In order to perform these services for Insurance Consultants, the department has indicated it will require one additional full-time employee (Insurance Specialist 2) at an annual salary and benefits of \$69,743 plus operating expenses (\$8,354) for a total cost of \$78,097. The need for this position will depend on the number of additional applicants and associated workload.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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