

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3640 - SB 3592

February 22, 2010

SUMMARY OF BILL: Authorizes the Board of Claims to establish incentive programs for state departments, agencies and institutions, including public institutions of higher education, for the purpose of reducing liabilities to the Risk Management Fund (RMF). Requires all state agencies to procure bids for obtaining appropriate levels of insurance on commercial grade motor vehicles prior to the acquisition of any such vehicle. Requires the Board of Claims to determine by policy the type of motor vehicles that shall be considered commercial grade motor vehicles. Revises minimum insurance requirements for public buildings related to non-admitted carriers.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures –

- Exceeds \$382,900/FY11-12/Risk Management Fund**
- Exceeds \$765,800/FY12-13/Risk Management Fund**
- Exceeds \$1,148,700/FY13-14/Risk Management Fund**
- Exceeds \$1,531,500/FY14-15/Risk Management Fund**
- Exceeds \$1,914,400/FY15-16 and Subsequent Years/Risk Management Fund**

Assumptions:

- According to the Department of the Treasury, any savings resulting from incentive programs established during FY10-11 would be realized in FY11-12. The Department indicates savings of one percent in FY11-12; two percent in FY12-13; three percent in FY13-14; four percent in FY14-15; and five percent in FY15-16 and subsequent years.
- Based on information provided by the Department of the Treasury, the workers' compensation tort liability for FY10-11 is estimated to be \$38,288,700. This amount is assumed to remain constant in subsequent years under current law.
- The decrease to state expenditures from the RMF is estimated to be \$382,900 in FY11-12; \$765,800 in FY12-13; \$1,148,700 in FY13-14; \$1,531,500 in FY14-15; and \$1,914,400 in FY15-16 and subsequent years.
- According to the Department of the Treasury, the provisions of the bill concerning appropriate levels of insurance on commercial grade motor vehicles is to protect the RMF against catastrophic risk; and the provisions related to minimum insurance requirements for state office buildings is to create more competition by expanding the number of insurance companies eligible to compete for insuring state buildings. The

Department has indicated potential additional savings if risk to the RMF is further reduced and if property insurance can be obtained at a lower cost. Any additional resulting savings are expected beginning in FY11-12.

- According to the Department of the Treasury, any savings to the RMF would be allocated to the General Fund, federal government, and internal service funds based on the premium allocation.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "James W. White". The signature is written in a cursive style with a large initial "J" and a distinct "W".

James W. White, Executive Director

/rnc