

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1300 - SB 1157**

March 20, 2019

**SUMMARY OF BILL:** Authorizes captive insurance companies to file one change of business plan in a calendar year to the Department of Commerce and Insurance (DCI) without paying the \$400 required fee. Authorizes the Commissioner of DCI to waive the regulation that captive insurance companies must maintain their principal place of business in this state. Authorizes the Commissioner to issue a provisional license to a captive insurance company applicant for a period of no more than 60 days, and extend under certain conditions, if the Commissioner deems the public interest will be served.

Authorizes a captive insurance company attempting to pay dividends to shareholders or make a material change to its initially filed plan of operation to do so within five business days of the date of notice to the Department, if the request is not disapproved in that timeframe. Establishes that dividend payment regulations do not apply to risk retention groups. Authorizes, with permission of the Commissioner, a captive insurance company to hold required surplus funds, receive customer premium payments, and make claim payments in foreign currency, foreign securities, and cryptocurrency.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - \$5,600**

Assumptions:

- Based on a roster provided on the DCI website, 140 captive insurance companies are currently active in Tennessee.
- Change of business plans must be submitted to the Commissioner in the case of any material change to a captive insurance company's originally submitted plan of operation.
- Material changes include, but are not limited to, changes in coverages, deductibles, coverage limits, rates, plans to liquidate, sell assets or merge, and changes in corporate structure or management.
- As change of business plans are only required in the case of substantial variations in policy, it can reasonably assumed that 10 percent of active captive insurers would submit this form yearly.
- The recurring decrease in state revenue due to captive insurers filing one free change of a business plan is estimated to be \$5,600 [(140 companies x 10%) x \$400 fee].

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- It is estimated that the Department can review dividend payout and material change requests within existing resources to meet the proposed five business day timeframe.

## **IMPACT TO COMMERCE:**

### **Decrease Business Expenditures - \$5,600**

#### Assumptions:

- The proposed legislation authorizes a captive insurance company to file one free change of business plan with DCI yearly.
- An estimated 10 percent of active captive insurance companies in the state will be authorized to file the form without paying the \$400 fee, resulting in a recurring decrease in business expenditures of \$5,600 [(140 companies x 10%) x \$400 fee].

## **CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

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