

NOTICE OF
PROPOSED RULE AMENDMENT

- The agency identified below in box 1 provides notice of proposed rule change pursuant to Utah Code Section 63G-3-301 and Subsection 53C-1-201(3)(c).
- Please address questions regarding information on this notice to the agency.
- The full text of all rule filings is published in the Utah State Bulletin unless excluded because of space constraints.
- The full text of all rule filings may also be inspected at the Office of Administrative Rules.

Agency Information

1. Agency: Insurance - Administration
 Room no.: 3110
 Building: STATE OFFICE BLDG
 Street address 1: 450 N MAIN ST
 Street address 2:
 City, state, zip: SALT LAKE CITY UT 84114-1201
 Mailing address 1: PO BOX 146901
 Mailing address 2:
 City, state, zip: SALT LAKE CITY UT 84114-6901

Contact person(s):

Name:	Phone:	Fax:	E-mail:
Steve Gooch	801-538-3803	801-538-3829	sgooch@utah.gov

(Interested persons may inspect this filing at the above address or at DAR during business hours)

Rule Information

DAR file no: 42213 Date filed: 10/13/2017 02:27 PM
 State Admin Rule Filing Key: 159522
 Utah Admin. Code ref. (R no.): R 590 - 157 - 4
 Changed to Admin. Code ref. (R no.): - -

Title

2. Title of rule or section (catchline):
 Stamping Fee Amounts

Notice Type

3. Type of notice: Amendment

Rule Purpose

4. Purpose of the rule or reason for the change:

The purpose of the change is to fund technology improvements that will promote efficiencies between the Surplus Line Association and the surplus line producers and agencies. The Surplus Line Association acts as the agent for the Utah Insurance Commissioner pursuant to R590-157-5.

Response Information

5. This change is a response to comments by the Administrative Rules Review Committee.

No

Rule Summary

6. Summary of the rule or change:

The change increases the surplus line stamping fee to .18 of 1% from its current level of .15 of 1%.

Aggregate Cost Information

7. Aggregate anticipated cost or savings to:

A) State budget:

Affected: Yes

There will be an approximate aggregate increase of \$78,600 to the state budget as a result of this fee increase. These funds will be used to pay for technology improvements at the Surplus Line Association, which acts as the agent for the Utah Insurance Commissioner pursuant to R590-157-5.

B) Local government:

Affected: No

There is no anticipated cost or savings to local government. This rule governs transactions that involve the state, the Surplus Line Association, and surplus line producers and agencies that operate within the state.

C) Small businesses:

Affected: Yes

("small business" means a business employing fewer than 50 persons)

After researching the businesses that have insurance policies through non-admitted insurers, it was concluded that 90% of those businesses are small businesses and will be affected. This rule change will result in an average increase per policy of \$3.26. This figure will be explained further in section 9A, below.

D) Persons other than small businesses, businesses, or local government entities:

Affected: Yes

("person" means any individual, partnership, corporation, association, governmental entity, or public or private organization of any character other than an agency)

This fee change impacts all businesses that have insurance through non-admitted insurers. The approximate aggregate increase that comes as a result of the fee will be \$78,600, which breaks down to an average increase per policy of \$3.26.

Compliance Cost Information

8. Compliance costs for affected persons:

This fee change impacts all businesses that have insurance through non-admitted insurers. The approximate average increase per policy is \$3.26.

Department Head Comments

9. A) Comments by the department head on the fiscal impact the rule may have on businesses:

I. WHETHER A FISCAL IMPACT TO BUSINESS IS EXPECTED AS A RESULT OF THE PROPOSED RULE AND, IF SO, A DESCRIPTION OF WHY: Businesses that have insurance through non-admitted insurers will be impacted. The approximate average increase per policy is \$3.26. II. AN ESTIMATE OF THE TOTAL NUMBER OF BUSINESS ESTABLISHMENTS IN UTAH EXPECTED TO BE IMPACTED: In 2016, 24,128 surplus line policies were issued in Utah, and that number is expected to remain roughly flat. It is assumed that each policy corresponds to one business in the state. III. AN ESTIMATE OF THE SMALL BUSINESS ESTABLISHMENTS IN UTAH EXPECTED TO BE IMPACTED: Of the businesses stated above, approximately 90% are small businesses. This means that approximately 21,715 small businesses will be impacted. IV. A DESCRIPTION OF THE SOURCES OF COST OR SAVINGS AS WELL AS THE EXPECTED NET SAVINGS OR COST TO BUSINESS ESTABLISHMENTS AND SMALL BUSINESS ESTABLISHMENTS AS A RESULT OF THE PROPOSED RULE OVER A ONE-YEAR PERIOD, IDENTIFYING ONE-TIME AND ONGOING COSTS: In 2016, the surplus line market included 24,128 issued policies with a total premium of \$262 million. At the current stamping fee of .15 of 1%, the annual aggregate stamping fee cost is \$393,000 ($\$262M \times .0015$). Increasing the surplus line stamping fee to .18 of 1% will result in an annual aggregate cost of \$471,600 ($\$262M \times .0018$). This corresponds to an annual aggregate cost increase to all businesses of approximately \$78,600 ($\$471,600 - \$393,000$) and an annual aggregate cost increase to small businesses of approximately \$70,740 (90% of \$78,600). The average annual increase per policy, whether business or small business, will be \$3.26 ($\$78,600 / 24,128$). There are no one-time costs as a result of this rule change. V. DEPARTMENT HEAD'S COMMENTS ON THE ANALYSIS: This analysis represents the best analysis possible using data and resources from both the Utah Insurance Department and the Surplus Line Association.

B) Name and title of department head commenting on the fiscal impacts:

Todd E. Kiser, Insurance Commissioner

Citation Information

10. This rule change is authorized or mandated by state law, and implements or interprets the following state and federal laws.

State code or constitution citations (required) (e.g., Section 63G-3-402; Subsection 63G-3-601(3); Article IV) :

Section 31A-3-303

Section 31A-2-201

Section 31A-15-103

Incorporated Materials

11. This rule adds, updates, or removes the following title of materials incorporated by reference (a copy of materials incorporated by reference must be submitted to DAR; if none, leave blank) :

Official Title of Materials Incorporated (from title page):
Publisher:
Date Issued:
Issue, or version:
ISBN Number:
ISSN Number:
Cost of Incorporated Reference:
Adds, updates, removes:

Comments

12. The public may submit written or oral comments to the agency identified in box 1. (The public may also request a hearing by submitting a written request to the agency. The agency is required to hold a hearing if it receives requests from ten interested persons or from an association having not fewer than ten members. Additionally, the request must be received by the agency not more than 15 days after the publication of this rule in the Utah State Bulletin. See Section 63G-3-302 and Rule R15-1 for more information.)

A) Comments will be accepted until 5:00 p.m. on (mm/dd/yyyy) : 12/01/2017

B) A public hearing (optional) will be held:

On (mm/dd/yyyy): At (hh:mm AM/PM): At (place):

Proposed Effective Date

13. This rule change may become effective on (mm/dd/yyyy): 12/08/2017

NOTE: The date above is the date on which this rule MAY become effective. It is NOT the effective date. After a minimum of seven days following the date designated in Box 12(A) above, the agency must submit a Notice of Effective Date to the Office of Administrative Rules to make this rule effective. Failure to submit a Notice of Effective Date will result in this rule lapsing and will require the agency to start the rulemaking process over.

Indexing Information

14. Indexing information - keywords (maximum of four, in lower case, except for acronyms (e.g., "GRAMA") or proper nouns (e.g., "Medicaid")):

insurance fee
taxes

File Information

15. Attach an RTF document containing the text of this rule change (filename):

There is a document associated with this rule filing.

To the Agency

Information requested on this form is required by Sections 63G-3-301, 302, 303, and 402. Incomplete forms will be returned to the agency for completion, possibly delaying publication in the Utah State Bulletin, and delaying the first possible effective date.

Agency Authorization

Agency head or designee, and title:

Steve Gooch Information
Specialist

Date (mm/dd/yyyy): 10/13/2017