

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation: 806 KAR 14:121  
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(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation is to establish the list of type face styles acceptable for the use in insurance contracts, and the readability and intelligibility of insurance contracts.

(b) The necessity of this administrative regulation: This administrative regulation sets for the standards of readability and intelligibility of insurance contracts.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 304.14-420(2) requires the Commissioner of Insurance to promulgate administrative regulations to establish the minimum standards for readability and intelligibility of insurance contracts. KRS 304.14-450(1) requires the Commissioner of Insurance to promulgate administrative regulations establishing a list of type face styles acceptable for use in insurance contracts.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: KRS 304.2-110 authorizes the Commissioner to promulgate administrative regulations to aide in the effectuation of the Insurance Code.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: The amendments to this administrative regulation are changes required by Chapter 13A.

(b) The necessity of the amendment to this administrative regulation: The necessity of these amendments are established in the Chapter 13A.222, in which the drafting requirements are set forth. These requirements ensure the administrative regulation language to be uniform and simple for those needing to reference.

(c) How the amendment conforms to the content of the authorizing statutes: Chapter 13A gives a very detailed explanation of the formatting rules as well as prohibited words and phrases, so these amendments remove old language and replace with acceptable unambiguous language.

(d) How the amendment will assist in the effective administration of the statutes: The amendments made to this administrative regulation meet Chapter 13A guidelines, which means the administrative regulation meets standards that are more effective. With clearer language 304.1-010 is more effective and thus, allowing the Department to regulate more effectively.

- (3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: All insurers writing business in the state of Kentucky.
- (4) Provide an analysis of how the entities identified in the previous question will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:
- (a) List the actions each of the regulated entities have to take to comply with this regulation or amendment: Insurers writing insurance contracts must use the listed fonts and flesch score model established in the administrative regulation.
- (b) In complying with this administrative regulation or amendment, how much will it cost each of the entities: There is no cost associated for the entities.
- (c) As a result of compliance, what benefits will accrue to the entities: Insurers will meet readability and intelligibility requirements established by statute and regulation, thus, insurance contracts have a better chance of being approved.
- (5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:
- (a) Initially: Implementation of this amendment is not anticipated to have an initial cost on the Department of Insurance.
- (b) On a continuing basis: Implementation of this amendment is not anticipated to have an on-going cost on the Department of Insurance.
- (6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The Department will use funds from its current operational budget to perform the tasks necessary.
- (7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: An increase of fees will not be necessary because additional personnel is likely unnecessary.
- (8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: This administrative regulation does not establish any fees.
- (9) TIERING: Is tiering applied? Explain why or why not. Tiering is not applied because this administrative regulation applies to all insurers writing insurance contracts.

## FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

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(1) What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Department as the implementer.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 304.2-110, 304.14-420

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? This administrative regulation is revenue neutral.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? This administrative regulation is revenue neutral.

(c) How much will it cost to administer this program for the first year? There is no expected cost to administer this program.

(d) How much will it cost to administer this program for subsequent years? There is no expected cost to administer this program.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(4) Revenues (+/-): Neutral

(5) Expenditures (+/-): Neutral

(6) Other Explanation: