

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5763-01  
Bill No.: HB 1742  
Subject: Housing; Insurance - Property  
Type: Original  
Date: February 20, 2014

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Bill Summary: This proposal requires homeowner insurers to offer coverage for loss due to an earthquake.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Insurance Dedicated	Up to \$15,250	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Up to \$15,250</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 4 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** estimate that 305 insurers would be required to submit amendments to their policies to comply with this legislation. Policy amendments must be submitted to the department for review along with a \$50 filing fee. One time additional revenues to the Insurance Dedicated Fund are estimated to be up to \$15,250.

The department believes the provisions of this bill can be handled within their current FTE and appropriations; however, should the workload be greater than anticipated, the department would request an increase in our FTE and appropriations through the budget process.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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### **INSURANCE DEDICATED FUND**

Revenues - Policy Amendment Fees	<u>Up to \$15,250</u>	<u>\$0</u>	<u>\$0</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>Up to \$15,250</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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### FISCAL IMPACT - Small Business

Specific small insurance businesses would be required to offer coverage for earthquake damages. In addition, they will be required to amend their policies through the Department of Insurance, Financial Institutions and Professional Registration.

### FISCAL DESCRIPTION

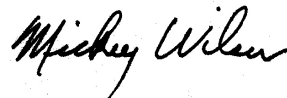
On or after January 1, 2015, this proposal requires every insurer authorized to write homeowners' insurance or dwelling-owners insurance on property in Missouri to make available coverage for earthquake losses for an appropriate additional premium. The proposal specifies the language that must appear on a policy that excludes coverage for earthquake losses informing a policyholder that the policy does not provide coverage for earthquake losses and that he or she can purchase coverage for earthquake losses for an additional premium.

Upon receipt of a claim for an earthquake loss, an insurer must investigate the claim by making an inspection of the insured's premises to determine if there has been physical damage to the structure that may be the result of earthquake activity.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration



Mickey Wilson, CPA  
Director  
February 20, 2014

Ross Strobe  
Assistant Director  
February 20, 2014