

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3608-01  
Bill No.: HB 938  
Subject: Banks and Financial Institutions; Insurance - General; Insurance Dept.  
Type: Original  
Date: February 13, 2004

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<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>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Dedicated Insurance Fund	\$0 to \$17,500	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0 to \$17,500</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>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Economic Development - Division of Finance** and **Division of Credit Unions** and the **Office of Secretary of State** indicate this proposal will have no fiscal impact on their agencies.

Officials from the **Public School and Non-Teacher School Employee Retirement Systems of Missouri, Highway and Transportation Employees' and Highway Patrol Retirement System, and Missouri State Employees Retirement System** state this proposal will not affect their systems.

Officials from the **State of Missouri Joint Committee on Public Employee Retirement** indicated that this proposal would not create a "substantial proposed change" in future plan benefits as defined in Section 105.660 (5). Therefore, no actuarial cost statement is required for this proposal.

Officials from the **Department of Insurance (INS)** assume that if each licensed insurer issuing individual annuity contracts in Missouri (350) files an amendment to modify their current contracts to comply with the proposed changes it will generate \$17,500( 350 x \$50 filing fee). Since the proposal allows but does not require a dynamic interest rate that varies based on an external index, the number of insurers that will actually elect to amend their contracts is

ASSUMPTION (continued)

unknown. INS estimates a range in form filing fee revenue of \$0-\$17,500 which would be deposited into the Insurance Dedicated Fund.

**This proposal would increase Total State Revenue**

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>DEDICATED INSURANCE FUND</b>			
<u>Income</u> - Filing Fees	\$0 to \$17,500	\$0	\$0
<b>ESTIMATED NET EFFECT ON DEDICATED INSURANCE FUND</b>	<b><u>\$0 to \$17,500</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2005 (10 Mo.)	 FY 2006	 FY 2007
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Any small business issuing individual annuity contracts could have a direct fiscal impact as a result of this proposal due to filing fees incurred.

DESCRIPTION

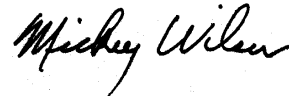
This proposal amends the formula that may be used for determining the minimum present value of an annuity when it is terminated early. Current law requires these contracts to offer a minimum interest rate of 3%. This proposal removes this minimum and allows these contracts to offer a rate that is tied to the five-year Constant Maturity Treasury Rate, as reported by the Federal Reserve. The proposal permits sellers of annuities to continue to use the current formula until July 1, 2006.

The current law is set to expire on July 1, 2004.

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 Economic Development  
  Division of Finance  
  Division of Credit Unions  
Department of Insurance  
Public School Retirement System of Missouri  
Joint Committee on Public Employee Retirement  
Highway and Transportation Employees' and Highway Patrol Retirement System  
Office of Secretary of State  
Missouri State Employees Retirement System



Mickey Wilson, CPA  
Director  
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