

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3619-01
Bill No.: HB 1051
Subject: Insurance - General; Insurance - Property; Insurance Dept.
Type: Original
Date: March 22, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue *	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on General Revenue Fund *	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> State Funds *	\$0	\$0	\$0

*** The fiscal impact could be divided between the General Revenue Fund, the County Foreign Insurance Fund (which ultimately goes to local school districts), and County Stock Funds if some of the tax credits are utilized against insurance premium taxes.**

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government *	\$0	\$0	\$0

* The fiscal impact could be divided between the General Revenue Fund, the County Foreign Insurance Fund (which ultimately goes to local school districts), and County Stock Funds if some of the tax credits are utilized against insurance premium taxes.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Design and Construction, Department of Labor and Industrial Relations, Missouri Department of Transportation, Department of Public Safety (DPS) - Missouri State Water Patrol, Missouri Consolidated Health Care Plan, Missouri Department of Conservation, and Office of State Courts Administrator** assume the proposal will have no fiscal impact on their organizations.

Officials from the **DPS - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of the proposal on their organization.

Officials from the **Department of Insurance (INS)** state the proposal contains provisions that could potentially increase assessments (non-economic claims) as well as provisions which could potentially decrease assessments (caps and other limits). The proposal also allows assessments of up to 2% rather than the current 1%. Assessments made by the Guarantee Association are allowed to be taken as a credit against an insurer's premium tax liability. Premium tax credits impact General Revenue, County Foreign, and County Stock Funds. The INS is unable to

determine the net impact to these funds, so has estimated an unknown fiscal impact.

ASSUMPTION (continued)

This proposal may impact Total State Revenue. The impact is unknown as the legislation could possibly impact revenue due to increases or decreases in premium taxes collected as a result of Guarantee Association tax credits.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Income - Department of Insurance</u>			
Increase in assessments	Unknown	Unknown	Unknown
<u>Savings - Department of Insurance</u>			
Reduction in premium taxes transferred to the County Foreign Insurance Fund and the County Stock Fund	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Loss - Department of Insurance</u>			
Decrease in assessments	(Unknown)	(Unknown)	(Unknown)
Premium tax credits	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE*	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

*** Note: This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may impact some small business employers with deductible insurance policies, some self-insured employers, and other employers against who a default judgment is entered.

DESCRIPTION

This proposal makes a variety of changes in the laws governing insurance and amends several provisions of the Property and Casualty Insurance Guaranty Association Act. The proposal:

- (1) Expands the guaranty association's obligations for claims arising from bodily injury, sickness, or disease so as to include damages for pain and suffering;
- (2) Adds several provisions establishing the guaranty association's obligations for insurance products that have been created during the past several years; and
- (3) Clarifies several provisions regarding the administration of the guaranty fund so as to comply with the recommendations of the National Conference on Insurance Guaranty Funds.

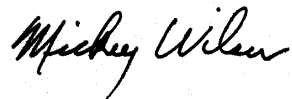
In other provisions governing insurance, the proposal:

- (1) Repeals the sunset clause on a section of law governing the liquidation of insurance companies. This provision is currently set to expire on December 31, 2005. The provision allows an estimation of contingent liabilities to be used to fix creditors' claims during the liquidation process. It also requires a reinsurer's payment to be made directly to the liquidator, except where the contract specifically provides for another payee or where another insurer assumes the ceding insurer's policy obligations;
- (2) Changes the definition of "renewal" as it applies to automobile insurance. Any automobile insurance policy with a term of less than six months or with no fixed expiration date will be considered a six-month policy. Under current law, the default term is 12 months; and
- (3) Repeals the bond requirement for acquiring a license to sell surplus lines of insurance.

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

Office of Administration
Office of State Courts Administrator
Department of Labor and Industrial Relations
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
 Missouri Water Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation



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