

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4706-04
Bill No.: SCS for HB 1504
Subject: Insurance - General; Insurance Dept.
Type: Original
Date: May 3, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Attorney General** and **Department of Insurance** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal to the SOS for administrative rules is less than \$1,500. The SOS does not expect additional funding would be required to meet these costs. However, the SOS recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal creates the Interstate Insurance Product Regulation Compact.

The proposal provides for the promotion and protection of the interests of consumers of individual and group annuity, life insurance, disability income, and long-term care insurance products. The proposal creates the Interstate Insurance Product Regulation Commission to develop uniform standards for insurance products covered under the Compact, to establish a central clearing house to receive and provide prompt review of insurance products covered under the Compact, to provide appropriate regulatory approval, and to improve coordination of regulatory resources and expertise between state insurance departments. The Interstate Product Regulation Compact establishes a mechanism for developing uniform national product standards for life insurance, annuities, disability income insurance, and long-term care insurance products. It also creates a single point to file products for regulatory review and, if necessary, approval. In the event of approval, an insurer would be able to sell its products in multiple states without separate filings in each state.

The proposal provides the statutory framework for states to enter into an interstate insurance product regulation compact. The Compact would establish a single point of filing for certain insurance products and rate filings which would be subject to uniform national standards. Those states that are members of the Compact would develop the uniform standards that apply to products filed with the Commission. Product standards would be developed through a rulemaking process which would require the approval of two-thirds of the commission management committee and two-thirds of the commission members. Unless a state opts-out, approval of a product by the Compact would be the same as approval by a member state. The proposal would, however, allow companies the option to continue to file products in the individual states through the existing form filing processes. The proposal also provides that individual states will continue to regulate market activities and allow for coordination among states and the Commission to determine instances of violations of uniform standards subject to the final order of the Commission. If a state disagrees with a product standard developed by the Commission, it may opt-out of the uniform standard either by regulation or legislation. For

DESCRIPTION (continued)

long-term care insurance, states may opt-out at the time of joining the Compact. In order to opt-out by regulation, a state must show that the uniform standard does not provide reasonable protections to the citizens of the state and that the needs of the state outweigh the Legislature's intent to participate in and receive the benefits of the Compact.

The Compact would become effective when two states enact compact legislation. The Commission becomes operational if twenty-six states or states representing forty percent of the premium for life, annuities, disability income insurance and long-term care join the Compact. Operations of the Commission would be financed initially through contributions and other sources of funding and over time through the filing fees paid by insurers. All states joining the Compact would be involved in setting up and overseeing the activities of the Compact, including developing product standards and the rules and operating procedures of the Commission. The Commission would make an annual report to the legislature and Governor of each state joining the Compact. In addition to opting out of particular product standards, each state has the right to withdraw from the Compact, by enacting a statute repealing this proposal.

This proposal modifies the membership requirements for the board of directors of the Missouri Health Insurance Pool, the membership of the governing committee that administers the Missouri Basic Property Insurance Inspection and Placement Program and modifies the membership of board of directors that governs the Missouri Malpractice Joint Underwriting Association.

The proposal provides that the board of directors for the Missouri Health Insurance Pool shall consist of the director of the Department of Insurance and eight members appointed by the director. The members appointed by the director shall have a background and experience in health insurance plans, health care finance, or the provision of health care.

The proposal provides that the governing committee that administers the Missouri Basic Property Insurance Inspection shall include, in addition to the committee's six other members, two members from the Property and Casualty Insurers Association of America, one member from the National Association of Mutual Insurance Companies, and one member from the Missouri Insurance Coalition.

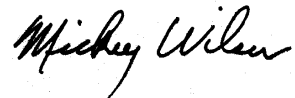
The proposal provides that the board of directors overseeing the Joint Underwriting Association shall include, in addition to four other directors, two directors that are members of the Property and Casualty Insurers Association of America and two directors who are members of the Missouri Insurance Coalition.

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

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SOURCES OF INFORMATION

Office of Attorney General
Department of Insurance
Office of Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 3, 2006