

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1425-01
Bill No.: SB 387
Subject: Insurance - General; Insurance Dept.; Health Care
Type: Original
Date: February 24, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Insurance Dedicated	(\$148,298)	(\$206,917)	(\$212,125)
Total Estimated Net Effect on Other State Funds	(\$148,298)	(\$206,917)	(\$212,125)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state it is estimated that one actuary and one economist/research analyst IV would be required to handle the workload required by this proposal. They would be responsible for collecting and analyzing market competitiveness, claims data, and other criteria used to establish rates. They would also be responsible for reviewing and approving rates based on the analysis of this data. There would also be some attorney involvement, but an attorney is not being requested at this time.

Any insurer that is not required to make rate filings as of now, would be required to do so. There are approximately 265 approved surplus lines carriers in Missouri. Filings must be submitted to the INS along with a \$50 filing fee. The INS estimates one-time revenue to the Insurance Dedicated Fund to be \$13,250 (265 X \$50 per company per filing).

There are approximately 288 purchasing groups and risk retention groups licensed in Missouri. Each company would be required to submit a filing, accompanied by a \$50 filing fee to the INS. The INS estimates one time revenue to the Insurance Dedicated Fund to be \$14,400 (288 X \$50 per company per filing).

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state this proposal requires the director of insurance to approve or reject medical malpractice insurance rates on enumerated factors. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Insurance could require as many as 6 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$369 [(6 pp x \$27) + (9 pp x \$23)].

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Filing fees	<u>\$27,650</u>	<u>\$0</u>	<u>\$0</u>
<u>Costs - Department of Insurance</u>			
Personal service costs (2 FTE)	(\$115,644)	(\$142,242)	(\$145,798)
Fringe benefits	(\$46,801)	(\$57,565)	(\$59,004)
Equipment and expense	<u>(\$13,503)</u>	<u>(\$7,110)</u>	<u>(\$7,323)</u>
Total <u>Costs</u> - Department of Insurance	(\$175,948)	(\$206,917)	(\$212,125)
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$148,298)</u>	<u>(\$206,917)</u>	<u>(\$212,125)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have an unknown effect on small insurance companies.

DESCRIPTION

This proposal prohibits insurers from selling medical malpractice insurance policies unless the Department of Insurance has approved the rates. The act outlines various factors that the Director must consider when approving or rejecting the rates. Rates must be based on Missouri loss experience and not loss experience from other states unless the failure to do so would jeopardize the insurer's financial stability.

The Director may consider the insurer's investment income and losses for the previous ten years when reviewing rates. Under this proposal, insurers may charge reasonable additional premiums or grant discount rates to health care providers based on their individual loss experience, training, the provider's speciality, and other factors determined to be reasonable by the director. Rate applications are deemed approved if not rejected within 60 days unless the director extends the time period due the applicants failure to provide timely information.

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
Office of Secretary of State



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Director
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