

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1812-01  
Bill No.: SB 539  
Subject: Insurance - Property; Housing  
Type: Original  
Date: March 3, 2003

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<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 2004	FY 2005	FY 2006
Insurance Dedicated Fund	\$11,100	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$11,100</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 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on All 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 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

ASSUMPTION

Officials from the **Department of Insurance (INS)** state residential property policies must be rewritten to say that weather-related claims will not be used to non-renew or cancel the policy. Policy amendments must be reviewed by the department and must be accompanied by a \$50 filing fee. This fee is deposited into the Insurance Dedicated Fund. The INS estimates that 222 insurers will have to file policy form amendments which will result in approximately \$11,100 in one-time revenues deposited into the Insurance Dedicated Fund (222 X \$50).

**This proposal will result in an increase in Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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**INSURANCE DEDICATED FUND**

<u>Income - Department of Insurance</u>			
Policy form filing fees	<u>\$11,100</u>	<u>\$0</u>	<u>\$0</u>

<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>\$11,100</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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\$0

\$0

\$0

FISCAL IMPACT - Small Business

This proposal will impact small business insurance companies.

DESCRIPTION

Under this proposal, an insurer may cancel a homeowner's policy if physical changes in the property insured have significantly increased the hazards originally insured. Under the current law, an insurer may cancel the policy if physical changes have increased the hazards originally insured.

Under this proposal, the insurer must give the insured 60 days notice prior to cancelling the insured's policy (current law is 30 days). The insurer must also give the insured 60 days of its intention not to renew a policy.

Under this proposal, homeowner insurance companies shall not consider as a claim any inquiry made by the insured as to whether the policy covers a certain loss or whether the policy provides a certain type or level of coverage. Homeowner insurance companies are prohibited from refusing to renew a policy on the basis of a weather-related claim. Further, insurers are prohibited from using a rating plan or a rating system which surcharges the insured's dwelling fire or homeowners insurance premium based upon the insured's weather-related claims or upon inquiries into whether the policy covers certain losses.

FAIR PLAN - Under this proposal, the name of the Missouri Basic Property Insurance Inspection and Placement Program is changed to the Fair Access to Insurance Requirements (FAIR) plan. FAIR plans were created in the late 1960's to make property insurance more readily available to people who can't obtain it from private insurers because their property is considered "high risk". The plans are operated by the insurance industry and make insurance available to property owners meeting certain requirements. Under the proposal, the FAIR plan is to offer dwelling fire, commercial fire and homeowners coverage for property owners, renters, and condominium owners. These coverages shall be similar to what is available in the standard market and provide protection against loss from various hazards.

DESCRIPTION (continued)

HW-C:LR:OD (12/02)

The proposal increases the amount of property insurance coverage a person can obtain through the program on residential property from \$100,000 to \$300,000 and on commercial property from \$1,000,000 to \$3,000,000.

Under this proposal, the length of time in which the facility must approve or decline whether the FAIR plan will insure a potential insured is decreased from 5 days to 3 days after the inspection report and application are received.

All property insurance plans and underwriting guidelines used in the FAIR plan must be submitted to the director for approval at least 60 days prior to their use.

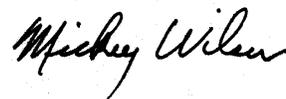
A FAIR plan insurance policy shall not be cancelled or nonrenewed unless the insured receives 60 days notice (up from 30 days).

The governing committee of the FAIR plan is increase by two members (for a total of 15 members). The two new members shall be consumer representatives. Under this proposal, the date of the annual meeting of the insurers and the governing committee must also be approved by the Director.

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



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