

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1441-01  
Bill No.: SB 269  
Subject: Insurance - General; Insurance Dept.  
Type: Original  
Date: February 9, 2009

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Bill Summary: Modifies various provisions relating to the regulation of captive insurance companies.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(At least \$11,821)	(At least \$11,821)	(At least \$11,821)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(At least \$11,821)</b>	<b>(At least \$11,821)</b>	<b>(At least \$11,821)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Insurance Dedicated	At least \$11,821	At least \$11,821	At least \$11,821
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>At least \$11,821</b>	<b>At least \$11,821</b>	<b>At least \$11,821</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Office of State Treasurer (STO)** assume the Department of Revenue will appropriately post the receipt of taxes collected under sections 379.1326 and 379.1412 as 90% to General Revenue and 10% to the Insurance Dedicated Fund. The proposal has no fiscal impact on the STO.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS realizes this is a small amount and does not expect that additional funding would be required to meet these costs. 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 that the office can sustain within 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.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state in May 2008, Special Purpose Life Reinsurance Captive (SPLRC) insurance companies paid \$39,600 in premium tax for calendar year 2007. None was paid by other captive types.

In May 2009, the DIFP anticipates that SPLRC captives will pay \$85,417 for calendar year 2008 and all other types of captives will pay \$32,791; total of \$118,208.

The DIFP assumes in May 2010, May 2011, and May 2012 at least the same amount of premium tax will be paid as May 2009. The department does anticipate growth in the number of captive insurance companies in Missouri, so this estimate is the minimum amount of premium tax expected to be collected.

The premium taxes collected under this legislation are deposited 90% into General Revenue and 10% into the Insurance Dedicated Fund for department oversight of the captive insurance program.

**Oversight** assumes the annual premium taxes on captive insurance companies will be at least \$118,208. Because this amount is less than the \$200,000 currently in statute for DIFP to receive 20% of to help cover the costs of the oversight of these companies, no funds will be received by the DIFP. This legislation changes the distribution of premium taxes paid by SPLRCs so DIFP receives 10% of all premium taxes collected from captive insurance companies. As a result of this reallocation, **Oversight** is presenting the 10% allocation of premium taxes paid by captive insurance companies to the Insurance Dedicated Fund as a loss to the General Revenue Fund.



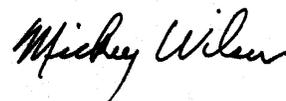
FISCAL DESCRIPTION (continued)

Under the terms of the proposal, the premium taxes imposed on captive insurance companies are redirected. Under the proposal, 90% of the taxes are deposited into the general revenue fund, while the remaining 10% are credited to the Insurance Dedicated Fund (Sections 379.1326 and 379.1332). The proposal contains a similar provision for the disposition of premium taxes assessed on special purpose life insurance captive companies (Section 379.1412).

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, Financial Institutions and Professional Registration  
Office of Secretary of State  
Office of State Treasurer



Mickey Wilson, CPA  
Director  
February 9, 2009