

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3425-04
BILL NO.: HCS for HB 1481
SUBJECT: Insurance - General; Insurance Department; Property, Real, and Personal
TYPE: Original
DATE: February 20, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Insurance Dedicated	(\$94,979)	(\$78,686)	(\$81,566)
Examiners	(\$49,957)	(\$51,396)	(\$52,713)
Total Estimated Net Effect on <u>All</u> State Funds	(\$144,936)	(\$130,082)	(\$134,279)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** assume there would be new revenue for the Insurance Dedicated Fund. Revenue from a continuing education filing fee (3,000 title agents @ \$10 x 3,000 = \$30,000), a filing fee for title courses (\$50 x 100 = \$5,000), and a licensing fee for rating organizations (2 x \$1,500 = \$3,000) would total \$38,000 annually. Revenue would be lost to the Insurance Dedicated Fund of \$4,125 annually (330 agency license @ \$25 for a two year license). INS would need one Research Analyst, one Licensing Technician, half-time Actuary, and one Financial Analyst II. INS states that expense and equipment associated with the additional staff and \$18,750 (150 hours x \$125) for contracted programming to make modifications to the Oracle system due to the renewal process for title agents and continuing education requirements

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
INSURANCE DEDICATED FUND			
<u>Revenue - Department of Insurance</u>			
Filing and license fees	\$38,000	\$38,000	\$38,000
<u>Loss - Department of Insurance</u>			
License fees	(\$4,125)	(\$4,125)	(\$4,125)
<u>Costs - Department of Insurance</u>			
Personal service (2.5 FTE)	(\$61,735)	(\$75,964)	(\$77,863)
Fringe benefits	(\$18,983)	(\$23,359)	(\$23,943)
Expense and equipment	(\$48,136)	(\$13,238)	(\$13,635)
Total <u>Costs</u> - Department of Insurance	<u>(\$128,854)</u>	<u>(\$112,561)</u>	<u>(\$115,441)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$94,979)</u>	<u>(\$78,686)</u>	<u>(\$81,566)</u>

EXAMINERS FUND

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
<u>Cost - Department of Insurance</u>			
Personal service (1 FTE)	(\$28,135)	(\$34,620)	(\$35,486)
Fringe benefits	(\$8,652)	(\$10,646)	(\$10,914)
Expense and equipment	<u>(\$13,170)</u>	<u>(\$6,130)</u>	<u>(\$6,313)</u>
Total <u>Costs</u> - Department of Insurance	<u>(\$49,957)</u>	<u>(\$51,396)</u>	<u>(\$52,713)</u>
ESTIMATED NET EFFECT ON EXAMINERS FUND	<u>(\$49,957)</u>	<u>(\$51,396)</u>	<u>(\$52,713)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2001 (6 Mo.)	 FY 2002	 FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses would expected to be fiscally impacted due to the new license and filing fees required by this proposal.

DESCRIPTION

This proposal would make changes to and reorganize the Missouri Title Insurance Act. In its main provisions, the proposal would: (1) Expand the "definitions" section of the Act; (2) Require a title insurer or title agent issuing a lender's title insurance policy, when no owner's policy has been requested, to give written notice to a purchaser/mortgagor that the lender's policy does not protect the purchaser; (3) Require a written contract setting forth the allocation of responsibilities between a title insurer and a title insurance agent, and delineates the title insurer's supervisory responsibilities regarding title insurance agents; (4) Permit a title insurer or title insurance agent to operate as an escrow, security, settlement, or closing agent if certain listed requirements are complied with or met; (5) List the actions the Director of Insurance may take or penalties that may be imposed against title insurers or title insurance agents that violate the title insurance laws; (6) Prohibit an insurer that transacts any other class, type, or kind of business from obtaining a title insurance license, except that a title insurer can issue closing or settlement protection; (7) Require domestic and foreign title insurers to file an actuarial certificate with the required annual audited financial report and to establish a supplemental reserve accordingly; (8) DESCRIPTION (continued)

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Subject all title insurers to the Missouri Uniform Insurers Liquidation Act; (9) Prohibit a domestic title insurer from accepting certain defined additional business without prior approval of the director and sets forth guidelines for approval by the director; (10) Prohibit use of listed title insurance forms unless the forms have been approved by the director; (11) Permit a title insurer to meet its obligations regarding premium and form filing by becoming a member of or subscriber to a rate service organization organized and licensed under this Act; (12) Set forth the requirements for the establishment and licensure of a rate service organization; (13) Set forth procedures for hearings and review of rate filings; and (14) Require all title insurance agents to be licensed, lists the responsibilities and obligations for licensure, and details the title insurance continuing education requirements. The proposal contains penalty provisions.

The proposal has an effective date of January 1, 2001.

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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Director
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