

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3745-01
BILL NO.: HB 1555
SUBJECT: Insurance - General; Insurance Department
TYPE: Original
DATE: February 4, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$348,345)	(\$696,690)	(\$1,055,591)
County Foreign Insurance	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$348,345)	(\$696,690)	(\$1,055,591)

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	(\$348,345)	(\$696,690)	(\$1,055,591)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning** assume this proposal would not fiscally impact their agency.

Department of Insurance (INS) officials state the department's operations and responsibilities would not be affected by the proposal only the operations of the Missouri Property and Casualty Insurance Guaranty Association (MOCIGA). INS states an increase in payments by the MPCIGA for losses would decrease state revenues. INS states the MPCIGA recovers its losses by assessing its member insurers. The member insurers are allowed a tax credit against premium tax for 1/3 of each assessment in each of the three years following the year of assessment. INS states the mean annual assessment for bodily injury claims from 1996-1998 is calculated at \$2,814,910. Legislation caps any increase in bodily injury claims by the applicable policy limits. INS estimates that half the amount of claims payments would be unaffected because they are already paid out at policy limits. INS states the other half would increase by the factor of 2.5. INS states the result of these two assumptions is an overall increase by a factor of 1.75 for the bodily injury claim assessment. INS states the mean annual assessment of \$2,814,910 multiplied by 1.75 produces a mean annual assessment for bodily injury claims of \$4,926,092 which is an increase of \$2,111,182 which could potentially be taken against future premium taxes if the insurer's tax liability would be sufficient to claim the full credit.

Oversight assumes that 1/3 of the assessment will be claimed each year plus any carryover from previous years assessments. **Oversight** also assumes that insurance companies would have sufficient premium tax to offset the yearly claim for assessments.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss - Department of Insurance</u>			
Reduction in premium taxes	<u>(\$348,345)</u>	<u>(\$696,690)</u>	<u>(\$1,055,591)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$348,345)</u>	<u>(\$696,690)</u>	<u>(\$1,055,591)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
COUNTY FOREIGN INSURANCE FUND			
<u>Savings - Department of Insurance</u>			
Distributions to local political subdivisions	\$348,345	\$696,690	\$1,055,591
<u>Loss - Department of Insurance</u>			
Reduction in premium taxes	<u>(\$348,345)</u>	<u>(\$696,690)</u>	<u>(\$1,055,591)</u>
ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss - Local Political Subdivisions</u>			
Decrease in premium tax distributions	<u>(\$348,345)</u>	<u>(\$696,690)</u>	<u>(\$1,055,591)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$348,345)</u>	<u>(\$696,690)</u>	<u>(\$1,055,591)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would increase the maximum award that an insured claimant may receive from the Missouri Property and Casualty Insurance Guaranty Association on claims arising from bodily
DESCRIPTION (continued)

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injury, sickness, or disease. All property and casualty insurers doing business in the state must be members of the association, which covers any insurance claims made against an insurer that has become insolvent. The proposal would allow such claimants to be awarded up to two-and-a-half times the cost of their reasonable medical expenses and loss of earnings, up to their insurance policy limits.

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 Administration
Division of Budget and Planning



Jeanne Jarrett, CPA
Director
February 4, 2000