

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0430-01
Bill No.: SB 106
Subject: Insurance - Property; Housing
Type: Original
Date: January 10, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Insurance Dedicated	\$10,950	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$10,950	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

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 a policy. Policy form amendments must be reviewed by the INS and accompanied by a \$50 filing fee. The INS estimates that 219 insurers will be required to file policy amendments. One-time revenues, deposited into the Insurance Dedicated Fund, are anticipated to be \$10,950 (219 insurers X \$50 filing fee).

This proposal will result in an increase in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Form filing fees	<u>\$10,950</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$10,950</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal makes several changes with respect to residential property insurance.

RESIDENTIAL INSURANCE - 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 (Section 375.002).

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 (Sections 375.003 and 375.004).

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 (Section 375.001). Homeowner insurance companies are prohibited from refusing to renew a policy on the basis of a weather-related claim (Section 375.004). 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. 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.

The proposal increases the amount of property insurance coverage a person can obtain through the program on residential property from \$200,000 to \$300,000 and on commercial property from \$1,000,000 to \$3,000,000.

DESCRIPTION (continued)

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 five days to three 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.

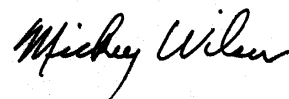
A FAIR plan insurance policy shall not be cancelled or nonrenewed unless the insured receives 60 days notice (up from 30 days)(Section 379.845).

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



Mickey Wilson, CPA
Director
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