

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4180-12
Bill No.: HCS for SS for SCS for SB 895
Subject: Insurance Dept.; Insurance - General
Type: Original
Date: May 9, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	Up to \$143,265	Up to \$187,298	Up to \$183,737
Total Estimated Net Effect on General Revenue Fund	Up to \$143,265*	Up to \$187,298*	Up to \$183,737*

* Collected penalties and distribution to county treasurers nets to \$0.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Consumer Restitution	Unknown	Unknown	Unknown
County Foreign/County Stock*	\$0*	\$0*	\$0*
Insurance Dedicated	\$801,544	\$828,790	\$821,475
Insurance Examiners	(\$1,547,212)	(\$1,856,654)	(\$1,856,654)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown less than \$745,668)	(Unknown less than \$1,027,864)	(Unknown less than \$1,035,179)

* Income and transfer-out nets to \$0.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 16 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	Unknown exceeding \$270,762	Unknown exceeding \$324,914	Unknown exceeding \$324,914

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA) - Administrative Hearing Commission, COA - Risk Management/General Services, Office of State Courts Administrator, Department of Mental Health, Missouri Consolidated Health Care Plan, Department of Revenue, Department of Social Services, Department of Economic Development, Missouri Department of Conservation, Missouri Department of Transportation, and Department of Public Safety (DPS) - Director's Office** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the fiscal impact of the proposal on their organization.

Officials from the **Department of Health and Senior Services (DOH)** state the proposal would not be expected to fiscally impact the operations of the DOH. If a fiscal impact were to result, funds to support the program would be sought through the appropriations process.

Officials from the **Office of Secretary of State (SOS)** state the proposal synchronizes the penalties, civil actions and other remedies for violations of the insurance code. It also establishes standards for service contracts and insurance company investments. The director of insurance may promulgate rules to carry out this proposal. These rules would be published in

both the ASSUMPTION (continued)

Missouri Register and Code of State Regulations. These rules may require as many as 72 pages in the Code of State Regulations and 108 pages in the Missouri Register because of cost statements and fiscal notes, etc. that are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The SOS estimates a total cost of \$4,428 [(108 pgs. X \$23) + (72 pgs. X \$27)]. These costs are estimates and depend on the number of rules printed, rescinded, and amended.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Corrections (DOC)** stated the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operational cost either through incarceration (FY 05 average of \$39.13 per inmate per day, or an annual cost of \$14,282 per inmate) or through supervision provided by the Board of Probation and Parole (FY 03 average of \$3.15 per offender per day, or an annual cost of \$1,150 per offender). Supervision by the DOC through probation or incarceration would result in additional unknown costs to the DOC. Eight (8) persons would have to be incarcerated per fiscal year to exceed \$100,000 annually. Due to the narrow scope of this new crime, it is assumed the impact would be less than \$100,000 per year for the DOC.

Officials from the **Office of the Attorney General (AGO)** assume the provisions of the proposal would require 2 Assistant Attorneys General II (each at \$37,500 per year) to research federal regulation under FTC rules and the rules of any other federal or state regulatory body.

Under current law, there is no reference to FTC rules in Missouri's consumer laws. This proposal will impact a number of consumer cases and these cases would be more expensive to bring forward because the AGO would have to provide background for the court about whether any applicable FTC rules apply. If such rules do apply, the AGO would have to research the rules and relevant decisions under those rules in bringing its case.

ASSUMPTION (continued)

Finally, AGO would have to determine which cases do not fall under this proposal because the language of subsection 2 states that “this section shall not apply to actions or transactions otherwise permitted or approved by the Federal Trade Commission or any other regulatory body or officer acting under statutory authority of this state or the United States.”

AGO estimates the total cost of the proposal to be approximately \$127,000 in FY 07, \$138,000 in FY 08, and \$141,000 in FY 09.

Officials from the **Department of Insurance (INS)** state the legislation would increase various fees charged by the INS to health service corporations, health maintenance organizations, and insurance companies. The total increase in revenue by the INS from these changes are estimated to be \$1,087,290 deposited into the Insurance Dedicated Fund.

The legislation would require that the INS only charge direct costs of examinations to insurance companies. The 15% administrative fee and any indirect labor charged for management staff and support to insurance companies as part of the exam assessment would now be funded through the Insurance Dedicated Fund. The INS estimates that \$1,856,654 less would be billed and deposited into the Insurance Examiners Fund. The difference in Exam Fund revenue and Dedicated Fund revenue will be covered by existing revenue in the Insurance Dedicated Fund. This change would need to be reflected in the FY2007 Supplemental Budget should this piece of legislation be passed and signed.

Insurance companies can take a credit against premium taxes for the costs of examinations conducted by the INS. The INS estimates that due to retaliatory taxes, only 35% of these credits will be redeemed in a given year. By moving \$1.8 million in expenditures from examination charges, premium tax collection would increase by approximately \$649,829. Premium tax is split 50/50 between General Revenue and School Funds.

The legislation creates the "Consumer Restitution Fund" for the purpose of preserving and distributing to aggrieved consumers funds obtained through enforcement proceedings brought by the director. As the number of cases and amount of funds recovered are not known, the fiscal impact to the fund is unknown.

The INS estimates approximately 625 life and health insurers (the legislation would impact accidental health policies) would be required to submit amendments to their policies to comply with section 376.620 of this proposal. Policy amendments must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$31,250 (625 insurers X \$50).

ASSUMPTION (continued)

The INS assumes a small number of captive insurance companies will form by 2008. The change in premium tax collection, due to sections 379.1300 - 379.1350 of the proposal, is assumed to be an unknown positive. The INS will retain 20% of the premium tax revenue initially until \$200,000 has been transferred to the dedicated fund, then up to 10% to fund captive insurance company regulation. The INS will also collect licensing and registration fees on each captive insurance company. The total amount collected is unknown but expected to be under \$10,000 per year. The INS will require one Insurance Regulatory Manager Band 2 and one Financial Analyst Specialist II to oversee and manage the formation, process licenses and registration, perform financial monitoring and analysis and supervise examination of captive insurance companies. Should a large number of captive insurance companies form, the INS may need additional legal and examination staff. Any additional staff would be requested through the appropriation process.

In order to enforce the provisions of Sections 385.300 - 385.212, the INS would require one Financial Analyst Specialist II to process product service provider registrations, review company financial statements, examine reserve accounts, review any 10K filed and verify company net worth of those issuing product service contracts. The INS estimates that an additional Investigator II would be required to handle the provisions of Section 385.310, which allows for conducting investigations and examinations for the protection of policyholders. The INS will also be required to receive and review the reimbursement contracts used by the providers of the motor vehicle and product service contracts. With the addition of product service contract providers using reimbursement contracts under this legislation, the workload of INS product analysts will increase. It is anticipated that the INS will receive an influx of filings so that providers can be in compliance. The INS is requesting one Insurance Product Analyst I/II to review reimbursement contracts received. The INS cannot estimate how many companies will register, but estimates it will be around 100. If numbers are considerably more (or less) additional (or fewer) staff will need to be requested.

Revenue will be generated as a registration fee for product service contracts is required to be paid annually, up to a \$300 annual fee. The INS estimates that approximately 100 companies will be registered, for a yearly revenue amount of \$30,000. The proposal does not indicate where fees will be deposited, but the INS has assumed it would be deposited into the Insurance Dedicated Fund where other such fees are deposited.

Subsection 385.301.5. exempts provider fees from premium taxes but requires tax be paid on premiums for reimbursement insurance policies. Premium tax is currently collected for premiums for reimbursement insurance policies handled through insurance companies. The INS has not made any estimates for additional revenues being collected.

ASSUMPTION (continued)

The provisions of Section 385 of the proposal are effective January 1, 2007.

The INS anticipates a minimal impact on Information Systems for programming changes, but assumes these costs will be covered with current appropriations.

Officials from the **Office of Prosecution Services, Office of State Public Defender, and Office of State Treasurer** did not respond to our request for a statement of fiscal impact.

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

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Income - Civil Penalties Collected</u>	Unknown	Unknown	Unknown
<u>Income - Department of Insurance</u>			
Premium tax collections	\$270,763	\$324,915	\$324,915
<u>Costs - Department of Corrections</u>			
Incarceration and parole costs	(Unknown less than \$100,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
<u>Costs - Office of Attorney General</u>			
Personal service (2.0 FTE)	(\$64,063)	(\$78,797)	(\$80,767)
Fringe benefits	(\$28,226)	(\$34,718)	(\$35,586)
Equipment and expense	(\$35,209)	(\$24,102)	(\$24,825)
Total <u>Costs</u> - Office of Attorney General	<u>(\$127,498)</u>	<u>(\$137,617)</u>	<u>(\$141,178)</u>
<u>Transfer-Out - County Treasurers</u>			
Transfer-out of penalties collected for distribution to schools	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Up to \$143,265</u>	<u>Up to \$187,298</u>	<u>Up to \$183,737</u>
* Collected penalties and distributions to county treasurers nets to \$0.			

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
CONSUMER RESTITUTION FUND			
<u>Income - Department of Insurance</u>			
Enforcement proceeding/restitution funds	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON CONSUMER RESTITUTION FUND			
	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
COUNTY FOREIGN /COUNTY STOCK FUNDS			
<u>Income - Department of Insurance</u>			
Premium tax collections	\$270,762	\$324,914	\$324,915
<u>Transfer-out - Department of Insurance</u>			
Transfer-out of premium taxes to schools	(<u>\$270,762</u>)	(<u>\$324,914</u>)	(<u>\$324,914</u>)
ESTIMATED NET EFFECT ON COUNTY FOREIGN/COUNTY STOCK FUNDS*			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
* Income and transfer-out nets to \$0.			
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Form filing fees	\$31,250	\$0	\$0
Registration fees	\$25,000	\$30,000	\$30,000
Increase in various fees	<u>\$906,075</u>	<u>\$1,087,290</u>	<u>\$1,087,290</u>
Total <u>Income</u> - Department of Insurance	\$962,325	\$1,117,290	\$1,117,290
<u>Costs - Department of Insurance</u>			
Personal service (5.0 FTE)	(\$90,700)	(\$185,935)	(\$190,584)
Fringe benefits	(\$39,962)	(\$81,923)	(\$83,971)
Equipment and expense	<u>(\$30,119)</u>	<u>(\$20,642)</u>	<u>(\$21,260)</u>
Total <u>Costs</u> - Department of Insurance	<u>(\$160,781)</u>	<u>(\$288,500)</u>	<u>(\$295,815)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND			
	<u>\$801,544</u>	<u>\$828,790</u>	<u>\$821,475</u>

DESCRIPTION (continued)

DEPARTMENT OF INSURANCE

The proposal: (1) Synchronizes the penalties, administrative orders, civil actions, and other remedies available to the Director of the Department of Insurance; (2) Allows the director, upon determining that a person has violated or attempted to violate provisions of the insurance laws, to order the following relief: (a) An order directing the person to cease and desist from engaging in the act, practice, omission, or course of business; (b) A curative order or order directing the person to take other action necessary to comply with insurance laws; (c) Order a civil penalty or forfeiture; and (d) Award reasonable costs of the investigation; (3) Authorizes fines of up to \$100,000 and imprisonment of up to 10 years if a person violates a cease and desist order. Currently, a person may be punished by a maximum \$1,000 fine and up to one year in jail; (4) Allows the director to suspend or revoke a corporation's or insurer's certificate of authority for violating insurance laws or for felony or misdemeanor convictions. The director must provide 30 days' notice and a hearing, if requested, before revocation; (5) Allows the director to seek redress in county circuit courts. The court can issue injunctions, freeze assets, or take other action as specified. A consumer restitution fund is created for preserving and distributing disgorgement or restitution funds obtained through enforcement procedures to aggrieved consumers; (6) Classifies various violations of insurance laws into five categories from level one through level five. Maximum fines are established at each level with level one being the least and level five the highest. All fines collected will go to fund public schools as required by Article IX, Section 7, of the Missouri Constitution; (7) Allows any applicant who is refused a license to sell insurance to file a petition with the Administrative Hearing Commission. The director will retain discretion in refusing a license or renewal; (8) Allows administrative hearings before the director for persons aggrieved by any order of the director; (9) Authorizes the director to consult and share information with other members of the National Association of Insurance Commissioners, the Commissioner of Securities within the Office of Secretary of State, state securities regulators, the Division of Finance within the Department of Economic Development, the Attorney General, federal banking and securities regulators, the National Association of Securities Dealers (NASD), the United States Department of Justice, the Commodity Futures Trading Commission, and the Federal Trade Commission to effectuate greater uniformity in insurance and financial services regulation among state and federal governments and self-regulatory organizations. The cooperation, coordination, consultation, and sharing of records and information authorized by the substitute include: (a) Establishing or employing one or more designees as a central electronic depository for licensing and rate and form filings with the director and for records required or allowed to be maintained; (b) Encouraging insurance companies and producers to implement electronic filing through a central electronic depository; (c) Developing and maintaining

uniform forms; (d) Conducting joint market conduct examinations and other investigations through collaboration and cooperation with other insurance regulators; (e) Holding joint administrative

DESCRIPTION (continued)

hearings; (f) Instituting and prosecuting joint civil or administrative enforcement proceedings; and (g) Sharing and exchanging personnel; (10) Modifies various fees charged by the department for the regulation of insurance companies and the operation of the Division of Consumer Affairs within the Office of the Attorney General. The expenses for an examination of a company will be paid by the company. The department director will assess the company for all reasonable expenses including the cost of compensation and travel for the examiners, analysts, actuaries, and attorneys directly contributing to the examination of the company; (11) Prohibits insurers from canceling or non-renewing a homeowner insurance policy based on an inquiry or one weather related claim in the proceeding five years; (12) Requires insurers providing group health insurance to employers with at least 51 employees to provide the employer, upon request, with a report containing the total dollar amount paid under the plan for each of the prior three years of coverage. The information cannot individually identify any person covered under the plan; and (13) Allows insurers selling life insurance policies to exclude or limit their liability if a policy holder, whether sane or insane, commits suicide within the first year of the date of issuance of the policy.

POLICE AND FIREMEN'S RETIREMENT SYSTEMS

Currently, the board of trustees of police and firemen's pension systems are not subject to investment limitations established in Section 376.305, RSMo. The proposal makes these systems subject to the limitations.

INTERSTATE INSURANCE PRODUCT REGULATION COMPACT

The proposal provides the statutory framework for states to enter into the Interstate Insurance Product Regulation Compact. The compact establishes a single point of filing for certain insurance products and rate filings which are subject to uniform national standards developed by members of the compact; however, companies are still allowed the option to file products in the individual states through the existing form filing processes. Unless a state opts-out, approval of a product by the compact will be the same as approval by a member state. Individual states will continue to regulate market activities and allow for coordination among states and the Interstate Insurance Product Regulation Commission, established in the substitute, to determine instances of violations of uniform standards subject to the final order of the commission.

The commission becomes operational if 26 states or states representing 40% of the premiums for life, annuities, disability, and long-term care insurance join the compact. The commission will make an annual report to the legislature and governor of each state in the compact.

DESCRIPTION (continued)

BAIL BOND AGENTS

This proposal changes the laws regarding the licensure of bail bond agents. The proposal: (1) Requires the Department of Insurance to notify any bail bond agent who is listed as having a forfeited bond; (2) Requires all licenses issued to bail bond agents to include a photograph of the licensee; (3) Requires all bail bond agents to provide the department with the name, address, and telephone number of each employer which they work for or contract with; (4) Requires any newly appointed surety bail bond agent to file an affidavit with the department stating that all forfeitures or judgments on previously written bonds have been satisfied; (5) Requires all applicants for licensure to be fingerprinted and have a criminal background check; (6) Authorizes the department to have a cause of action brought against a licensee who has been found guilty of a dangerous felony or has filed bankruptcy as an owner of a bail bond business; (7) Allows bail bond agents to write bonds in municipal or circuit courts if the general bail bond agent who employs them is qualified to write bonds in these courts; (8) Allows bail bond agents to be released from a bond if the agent can prove the defendant is incarcerated in another jurisdiction or that it is physically impossible for the defendant to appear through no fault of the bail bond agent; and (9) Requires any bail bond agent arrested for a felony to notify the department of the arrest within 10 days.

INVESTMENT PRACTICES OF DOMESTIC INSURERS

The proposal: (1) Exempts insurers organized under Chapter 376 from several requirements in Chapter 375 including that: (a) Notification be given on interest due on an insurance policy loan; (b) Insurance companies not deal or trade in goods, wares, merchandise, commodities, or certain real estate purchases, sales, or trades; (c) No officer, stockholder, agent, or employee use company funds for private profit or gain; (d) Beneficial owners of a company selling any equity securities of the company must own the security sold and deliver the security sold as required; (e) Domestic insurers invest in stocks or shares having at least the second highest designation or quality rating conferred by the Securities Valuation Office of the National Association of Insurance Commissioners; (f) Investments in foreign governments or corporations are permitted as long as the investments are allowed in United States companies; and (g) Insurance companies follow the provisions of Sections 375.1070 - 375.1075, Investments in Medium and Lower Quality Obligations Law; (2) Allows insurers organized under Chapter 376 to engage in

derivative transactions through an investment subsidiary; (3) Establishes Sections 376.291 - 376.307 which applies to investments and investment practices of domestic insurers organized under the provisions of Chapter 376. Terms relative to these sections are defined; (4) Requires an insurer's board of directors to adopt a plan for acquiring investments and for engaging in investment practices appropriate for the business conducted by the insurer, its liquidity needs,

DESCRIPTION (continued)

and its capital and surplus needs. Prohibited investments are also specified; (5) Prohibits insurers, without prior approval of the department director, from: (a) Making a loan or investment in an officer of the insurer or a person in which the officer has any financial interest; (b) Making a guarantee for the benefit of or in favor of an officer of the insurer or a person in which the officer has a financial interest; and (c) Entering into an agreement for the purchase or sale of property from or to an officer of the insurer or a person in which the officer has any financial interest; (6) Allows an insurer, without prior approval of the director, to: (a) Make policy loans in accordance with the terms of the contract; (b) Advance reasonable expenses expected in the course of business to directors or officers; (c) Make loans secured by the principal residence of an existing officer in connection with the officer's relocation at the insurer's request; and (d) Make loans or advances to officers or directors which comply with state and federal law pertaining to loans made to a regulated noninsurance subsidiary or affiliate of the insurer in the normal course of business; (7) Requires investments to be valued based on published accounting and valuation standards of the National Association of Insurance Commissioners; (8) Prohibits insurers from investing more than 3% of its admitted assets in investments issued by a single person. This limitation will not apply to amounts insured by a single financial guaranty insurer having the highest generic rating issued by a nationally recognized statistical rating organization or to asset-backed securities. Requirements are established for medium-grade, low-grade, and Canadian investments; (9) Allows an insurer, subject to certain limitations, to acquire rated credit instruments issued, assumed, guaranteed, or issued by the United States, Canada, government-sponsored enterprises of the United States or Canada, a government or class one money market mutual fund, a class one bond mutual fund, or general obligation instruments of the state; (10) Allows an insurer to invest in tangible personal property if the resulting ownership of the property returns to the insurer the cost of the investment plus a return deemed adequate by the insurer. Investments in tangible property cannot exceed 2% of admitted assets or .5% on any single item; (11) Allows insurers to acquire obligations secured by mortgages on real estate situated within a domestic jurisdiction. A mortgage loan secured by other than a first lien cannot be acquired unless the insurer is the holder of the first lien and it meets certain requirements. The real estate must be income producing or intended for improvement or development to produce income; (12) Allows insurers to enter into securities lending, repurchase, reverse repurchase, and dollar roll transactions subject to the board of directors adopting a written plan detailing how cash received

will be invested or used, operational procedures used to manage investments risk, and the extent an insurer may engage in these transactions; and (13) Establishes conditions and requirements for insurers to invest in foreign markets.

DESCRIPTION (continued)

REGULATION OF CAPTIVE INSURANCE COMPANIES

Captive insurance companies: (1) Are allowed, when permitted, to apply for a license to provide insurance and annuity contracts under Section 376.010 to parent, affiliated, or controlled unaffiliated companies; (2) Cannot adopt a name that is likely to be confused or mistaken with an existing company; (3) Must maintain adequate paid-in capital and surplus as required in order to be issued a license. No dividend can be paid without prior approval from the Director of the Department of Insurance; (4) Are allowed to be incorporated under Section 379.1310; (5) Must annually report their financial condition to the director as required; (6) Will be examined at least once every three years by the director or his or her agent; (7) Can have their license suspended or revoked by the director for cause; (8) Must comply with investment requirements contained in

Chapter 375 and Sections 379.080 and 379.082 as applicable; (9) May reinsure risks or portions of risks with prior approval of the director; (10) Cannot be required to join a rating organization or be allowed to join or contribute financially to a plan, pool, association, guaranty, or insolvency fund for claims arising out of the operation of the company; and (11) Must pay the Director of the Department of Revenue on or before May 1 of each year the taxes required under Section

379.1326. Fees and assessments received by the Department of Insurance will be paid into the Insurance Dedicated Fund.

MOTOR VEHICLE SERVICE CONTRACTS

The proposal: (1) Defines "fronting company" as a dealer that authorizes a third-party administrator or provider to use its name or business to evade or circumvent a sale, an offer for sale, or a solicitation of a sale of a service contract to a consumer; (2) Prohibits an unlicensed motor vehicle or boat dealer from selling a motor vehicle service contract to a consumer; (3) Prohibits a dealer from acting as a fronting company; and (4) Creates penalties for violation of these provisions.

PRODUCT SERVICE AGREEMENT

The proposal: (1) Prohibits any person from issuing or selling a product service contract without registering and paying a fee with the Director of the Department of Insurance; (2) Requires providers of service contracts to maintain at least one of the following: (a) A funded reserve account of at least 40% of gross consideration received less claims paid; (b) A financial security deposit with the department director of at least 5% of the gross consideration received less claims paid; (c) A net worth of \$100 million; or (d) A reimbursement insurance policy covering 100% of the service contract obligations; (3) Prohibits provider fees collected from being subject to premium taxes and exempts the person selling the contract from other state licensing laws if all

DESCRIPTION (continued)

requirements are met; (4) Requires providers of service contracts to furnish a written statement to the consumer outlining their obligations and conveying terms and restrictions. Misleading advertising is prohibited; (5) Requires providers of service contracts to maintain accurate records of every transaction for a period of at least three years after the specified period of coverage has expired. Records must be made available to the department upon request; (6) Prohibits insurers who issue reimbursement insurance policies from terminating a policy without notifying the director. Insurers have the right to seek indemnification against a provider if the insurer pays amounts under the service contract that the provider was obligated to pay; and (7) Creates penalties for violation of the provisions of the proposal.

ANATOMIC PATHOLOGY SERVICES

The proposal prohibits licensed health care professionals from charging, billing, or soliciting payment for anatomic pathology services, unless the services are rendered personally by the health care professional or under his or her direct supervision. Any patient, insurer, third-party payor, hospital, public health clinic, or nonprofit health clinic will not be required to reimburse any licensed health care professional for charges or claims submitted in violation of this provision. Nothing will prohibit the billing of a referring laboratory for services when samples must be sent to another specialist.

State licensing boards having jurisdiction over health care professionals who request or provide these services may revoke, suspend, or deny a license to anyone who violates these provisions.

INSURANCE PRODUCER CONTINUING EDUCATION

Currently, life insurance producers who are limited to writing policies with an initial face amount for any individual of \$5,000 or less are exempt from the continuing education requirements. The proposal changes the amount to a cumulative initial face amount of \$10,000

or less for any individual.

MERCHANDISING PRACTICES

The proposal requires Missouri courts to take guidance in its decisions from the policies and interpretations given by the Federal Trade Commission and the federal courts regarding unfair trade practices under the Federal Trade Commission Act.

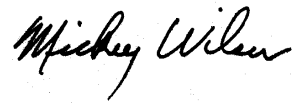
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of Administration -
 Administrative Hearing Commission
 Risk Management/General Services
Office of State Courts Administrator
Department of Economic Development -
 Division of Credit Unions
 Division of Finance
 Division of Professional Registration
Department of Mental Health
Department of Corrections
Department of Health and Senior Services
Department of Revenue
Department of Social Services
Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation
Office of Secretary of State

NOT RESPONDING: Office of Prosecution Services, Office of State Public Defender, and Office of State Treasurer

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Bill No. HCS for SS for SCS for SB 895
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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent 'M' and 'W'.

Mickey Wilson, CPA
Director
May 9, 2006