

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1320-01
Bill No.: SB 297
Subject: Motor Vehicles; Insurance Dept.
Type: Original
Date: February 8, 2007

Bill Summary: Prohibits persons from selling vehicle protection products in Missouri unless certain conditions are met.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Insurance Dedicated	\$23,083	(\$20)	(\$1,288)
Total Estimated Net Effect on <u>Other</u> State Funds	\$23,083	(\$20)	(\$1,288)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Insurance Dedicated	1	1	1
Total Estimated Net Effect on FTE	1	1	1

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** assume the proposal will have no fiscal impact on their organization.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also 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 what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs 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 **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state it is anticipated that the department will receive an influx of filings so that providers can be in compliance. The DIFP is requesting one Insurance Product Analyst II (\$30,408 annually) to review reimbursement contracts received. The department would use existing staff to implement the financial analysis and enforcement provisions of this legislation. The DIFP cannot estimate how many companies will register but estimates it will be around 100. If the numbers are considerably more, additional staff may need to be requested.

Revenue will be generated as vehicle protection product warrantors are required to pay an annual registration fee of up to \$500. The DIFP estimates that approximately 100 warrantors will be registered, for a yearly revenue amount of \$50,000. The proposal does not indicate where fees will be deposited, so the department has assumed the fees would be deposited into the Insurance Dedicated Fund, where other such fees are deposited.

The provisions of this proposal are effective January 1, 2008.

Oversight assumes fees received by the DIFP will be deposited in the Insurance Dedicated Fund.

This proposal will impact total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (6 Mo.)	FY 2009	FY 2010
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance, Financial and Professional Regulation</u>			
Registration fees	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$50,000</u>
<u>Costs - Department of Insurance, Financial and Professional Regulation</u>			
Personal service (1.0 FTE)	(\$15,584)	(\$31,947)	(\$32,746)
Fringe benefits	(\$7,053)	(\$14,459)	(\$14,821)
Equipment and expense	(\$4,280)	(\$3,614)	(\$3,721)
Total <u>Cost</u> - Department of Insurance, Financial and Professional Regulation	<u>(\$26,917)</u>	<u>(\$50,020)</u>	<u>(\$51,288)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$23,083</u>	<u>(\$20)</u>	<u>(\$1,288)</u>
Estimated Net FTE Change for Insurance Dedicated Fund	1.0 FTE	1.0 FTE	1.0 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (6 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal may impact small businesses if they choose to purchase vehicle protection products.

FISCAL DESCRIPTION

The proposal would apply to all warranted products sold or offered for sale on or after January 1, 2008.

REGISTRATION AND FILING REQUIREMENTS OF WARRANTORS - A person could not act as a warrantor or represent to the public that the person is a warrantor without registering with the Department of Insurance. A warrantor shall file warrantor registration records annually and

FISCAL DESCRIPTION (continued)

update them within 30 days of any change. The proposal delineates what types of information that the registration records must contain. The department shall make information regarding the warrantor's name and the name and address of its designated agent for service of process available to the public.

The department may charge each registrant a reasonable fee to offset the cost of processing a registration and maintaining the records. The fee shall not exceed \$500 per year.

FINANCIAL RESPONSIBILITY - No vehicle protection product may be sold or offered for sale in Missouri unless the vehicle protection product warrantor acquires insurance under a warranty reimbursement insurance policy or maintains a net worth or stockholder's equity of \$50,000,000.

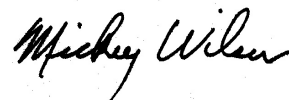
RULEMAKING POWER - The proposal authorizes the department to promulgate rules that are necessary to implement and administer the proposed legislation. The rules must include disclosure requirements for the benefit of warranty holders, record-keeping requirements, and procedures for public complaints.

The proposal has an effective date of January 1, 2008.

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 State Courts Administrator
Department of Insurance, Financial and Professional Regulation
Office of Secretary of State



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L.R. No. 1320-01
Bill No. SB 297
Page 6 of 6
February 8, 2007

Director
February 8, 2007