

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3277-04
Bill No.: Perfected SCS for SB 865
Subject: Insurance - General; Insurance - Life; Insurance Dept.
Type: Original
Date: April 28, 2008

Bill Summary: Prohibits life insurers from taking underwriting actions or charging different rates based upon a person's past or future lawful travel destinations unless such action is based upon sound actuarial principles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Insurance Dedicated	\$5,000	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$5,000	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☐ 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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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)** estimate approximately 100 insurers would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the department for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$5,000 (100 insurers X \$50).

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews, the DIFP will need to request additional staff to handle the increase in workload.

Officials from the **Department of Revenue (DOR)** state section 143.141.5 allows an individual to increase their itemized deductions by the premiums paid to a life insurance policy whose beneficiary is a trust or a resident trust. This would add a line to the itemized deduction schedule on the MO-A.

The DOR estimates that two (2) temporary tax employees would be needed for key entry; one (1) Revenue Processing Technician I (\$24,636) would be needed per every 19,000 errors that occurred; and one (1) Revenue Processing Technician I (\$24,636) would be need for every 2,400 pieces of correspondence. Therefore, the DOR estimates total FY 09 costs of \$85,993; FY 10 costs of \$93,102; and FY 11 costs of \$95,895. The DOR states they have no way to determine the number of individuals that may claim the deduction or the amount of those deductions.

Oversight assumes the estimated number of itemized deductions for premiums paid to a life insurance policy whose beneficiary is a resident trust would result in a limited number of additional deduction claims. **Oversight** assumes the changes resulting from this proposal could be implemented with existing staff. If unanticipated costs are incurred or if multiple proposals are implemented which cause an additional workload, resources could be requested through the budget process.

Oversight is presenting an unknown reduction to General Revenue for the decrease in tax revenue resulting from persons claiming the deduction for life insurance premiums paid to a resident trust.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Loss - DOR</u>			
Reduction in tax receipts	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Form filing fees	<u>\$5,000</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$5,000</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

The proposal may impact small business insurance companies if they have to file forms with the Department of Insurance, Financial Institutions and Professional Registration or if they have to change insurance rates.

FISCAL DESCRIPTION

Under this proposal, no life insurance company shall deny or refuse to accept an application for life insurance, refuse to renew, cancel, restrict, or otherwise terminate a policy of life insurance, or charge a different rate for the same life insurance coverage, based upon the applicant's or insured's past or future lawful travel destinations. Nothing in this section shall prohibit a life insurance company from denying an application for life insurance, or charging a different premium or rate for such coverage under such policy based on a specific travel destination where the denial or rate differential is based upon sound actuarial principles or is related to actual or reasonably anticipated experience. Under the proposal, a violation constitutes an unfair trade practice. The proposal provides that it shall apply to life insurance policies issued or renewed on or after August 28, 2008.

FISCAL DESCRIPTION (continued)

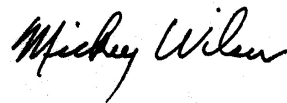
Senate Amendment No. 1 allows a taxpayer's itemized deductions to be increased by the amount paid for premium life insurance when the sole beneficiary of the insurance is a trust.

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
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue

NOT RESPONDING: Missouri State Tax Commission

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 28, 2008