

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3930-01
Bill No.: SB 902
Subject: Motor Vehicles; Insurance Dept.
Type: Original
Date: February 8, 2008

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 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Insurance Dedicated	\$22,528	(\$1,507)	(\$2,811)
Total Estimated Net Effect on <u>Other</u> State Funds	\$22,528	(\$1,507)	(\$2,811)

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** and **Office of Attorney General** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal for Administrative Rules 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 **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 (\$31,320 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, but 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, 2009.

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 2009 (6 Mo.)	FY 2010	FY 2011
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Registration fees	\$50,000	\$50,000	\$50,000
<u>Costs - DIFP</u>			
Personal service (1.0 FTE)	(\$16,052)	(\$32,906)	(\$33,728)
Fringe benefits	(\$7,265)	(\$14,893)	(\$15,265)
Equipment and expense	<u>(\$4,155)</u>	<u>(\$3,708)</u>	<u>(\$3,818)</u>
Total <u>Cost</u> - DIFP	(\$27,472)	(\$51,507)	(\$52,811)
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$22,528</u>	<u>(\$1,507)</u>	<u>(\$2,811)</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 2009 (6 Mo.)	FY 2010	FY 2011
	<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

This proposal establishes the Missouri Vehicle Protection Product Act. Under the proposal, a person would be prohibited from selling or offering for sale a vehicle protection product in Missouri unless the seller, warrantor, and any administrator complies with the provisions of the proposed proposal.

FISCAL DESCRIPTION (continued)

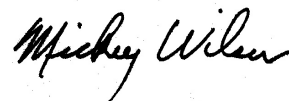
REGISTRATION AND FILING REQUIREMENTS OF WARRANTORS - A person could not act as a warrantor or represent to the public that the person is a warrantor without registering with the Department of Insurance. The department may charge each registrant a reasonable fee to offset the cost of processing a registration and maintaining the records. The fee shall not exceed \$500 per year.

The proposal has an effective date of January 1, 2009.

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 Institutions and Professional Registration
Office of Secretary of State



Mickey Wilson, CPA
Director
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