

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0287-01  
Bill No.: SB 115  
Subject: Insurance - General; Insurance Department; Workers Compensation  
Type: Original  
Date: February 25, 2013

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Bill Summary: This proposal establishes the conditions for dissolving the Missouri Employers Mutual Insurance Company.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue		\$0 or Unknown	
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0 or Unknown</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Insurance Dedicated	(\$50,000 to \$125,000)		
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$50,000 to \$125,000)</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state that they are required to receive an opinion of a nationally recognized investment banking firm that the consideration for the assets to be transferred is fair from a financial point of view. The department is also required to receive an opinion of a nationally recognized actuarial firm that the assets of the Missouri Employer's Mutual Insurance Company (MEMIC) transferred to a qualified purchaser are adequate to permit the payment of all liabilities under policies of insurance assumed by a qualified purchaser based upon sound actuarial principles. It is assumed that the cost for these opinions would be a minimum of \$50,000 but could be up to \$125,000.

In addition, DIFP also stated that MEMIC is currently regulated by their department the same as any other company licensed to sell workers' compensation insurance in the State of Missouri. To that end, the Division of Insurance Company Regulation monitors the company's financial condition on a quarterly basis. As of the third quarter 2012, the most recently available financial data, MEMIC reported total admitted assets of \$438 million, liabilities of \$268 million and policyholders surplus of \$170 million. MEMIC appears to have adequate assets to support its liabilities at this time.

**Oversight** will range the fiscal impact from the sale of MEMIC from \$0 (potential for no bids or insufficient bids, or State of Missouri is not entitled to proceeds from the sale) to a potential unknown amount. Oversight will also assume the fiscal impact of the sale to occur in FY 2015.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE FUND</b>			
<u>Revenue - DIFP</u>			
Proceeds from sale of MEMIC	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0</u></b>
<b>INSURANCE DEDICATED FUND</b>			
<u>Cost - Insurance Dedicated Fund</u>			
Financial point of view opinion and actuarial opinion	(\$50,000 to \$125,000)	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>(\$50,000 to \$125,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<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.

FISCAL DESCRIPTION

Under the terms of this proposal, the director of the Department of Insurance is directed to perform all acts necessary to dissolve the Missouri Employers Mutual Insurance Company (MEMIC). The dissolution of MEMIC shall occur no later than January 1, 2015. The director is authorized to enter into and consummate an agreement in the name of the state of Missouri for the sale of all of the assets of MEMIC to a qualified purchaser and assumption of all or substantially all of the liabilities of the company by the qualified purchaser.

The proposal sets forth the conditions for selling MEMIC. For example, the proposal requires the director to have received before the effective date of the transfer an opinion of a nationally

FISCAL DESCRIPTION (continued)

recognized investment banking firm that the consideration for MEMIC's assets is fair from a financial point of view. Similarly, the act requires the director to have received before the effective date of the transfer an opinion of a nationally recognized actuarial firm that the assets of the company transferred to a qualified purchaser are adequate to permit the payment of all liabilities under policies of insurance assumed by the qualified purchaser based upon sound actuarial principles.

The proposal further authorizes the director to:

- (1) Sell, convey, lease, exchange, transfer, or otherwise dispose of the assets and liabilities, including any real or personal property of MEMIC, wherever situated;
- (2) Sell, exchange, transfer, or otherwise dispose of bonds and other obligations, shares or other securities, or interests issued by others, whether engaged in similar or different businesses, or governmental or other activities, including banking corporations or trust companies; and
- (3) Exercise all powers necessary or convenient to effect or complete the transactions permitted under the act.

MEMIC's purchaser shall be a Missouri corporation organized and authorized to transact workers compensation insurance business in this state. Each debt, claim, and cause of action of MEMIC, and all property rights, privileges, franchises, and other interests of the company, shall become the property of the purchaser. The rights of all policyholders and creditors and the standing of all claims against MEMIC shall be preserved and unimpaired and become the obligation of the purchaser. Each debt, liability, and duty of MEMIC shall become a debt, liability, or duty of the purchaser and may be enforced against the purchaser as if it were incurred or contracted by the purchaser.

On the date of the transfer, the purchaser shall provide for the delivery in this state of workers' compensation insurance and for the transaction of workers' compensation insurance business to the same extent as any other insurance carrier transacting workers' compensation insurance business in this state. The purchaser shall be subject to all of the requirements of the Missouri insurance statutes and regulations applicable to insurers licensed and authorized to write workers' compensation insurance in the state of Missouri.

The consideration received from the sale of MEMIC shall be the property of the state of Missouri. Upon receipt of such consideration, the director shall transmit such consideration to the state treasurer, who shall credit such funds to the general revenue fund. Proceeds from the

FISCAL DESCRIPTION (continued)

consideration may be used to pay the reasonable and necessary expenses incurred by the director in administering the dissolution of MEMIC, including but not limited to the retaining and hiring of accountants, actuaries, attorneys, or consultants, the cost of printing, copying, or other expenses.

Upon dissolution, MEMIC shall not transact workers compensation insurance in this state, and all operations of such company shall cease.

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, Financial Institutions  
and Professional Registration



Ross Strobe  
Acting Director  
February 25, 2013