

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0597-01
Bill No.: SB 206
Subject: Insurance - General; Insurance Department
Type: Original
Date: January 30, 2015

Bill Summary: This proposal requires insurers to file own risk and solvency assessment summary reports with the Department of Insurance, Financial Institutions and Professional Registration.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	(\$67,482)	(\$119,331)	(\$120,582)
Total Estimated Net Effect on Other State Funds	(\$67,482)	(\$119,331)	(\$120,582)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	1	1	1
Total Estimated Net Effect on FTE	1	1	1

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** state that the own risk and solvency assessments (ORSA) filing will be quite complex and require expertise in risk management practices to properly evaluate the sufficiency of the filing. It is anticipated that 6 domestic insurance groups will have to file an ORSA directly with Missouri and 23 additional insurance groups will have to file with a lead state and be reviewed by Missouri.

This legislation will require one FTE (Financial Examiner III at \$75,725 annually) to review and assess ORSA summary reports and the risk management framework of insurers. This will entail very technical analysis of this information which may vary by the nature and complexity of the insurer. Since this will be a highly specialized area, it will require very technical expertise. This person will also act as the primary coordinator with outside consultants used for technical assessment of actuarial stress testing, stochastic analyses and modeling and will be required to incorporate consultant's analysis and conclusions into the department's overall assessment.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (6 Mo.)	FY 2017	FY 2018
INSURANCE DEDICATED FUND			
<u>Costs - DIFP</u>			
Personal Service	(\$37,862)	(\$76,482)	(\$77,247)
Fringe Benefits	(\$19,312)	(\$39,010)	(\$39,400)
Equipment and Expenses	(\$10,308)	(\$3,839)	(\$3,935)
<u>Total Costs - DIFP</u>	<u>(\$67,482)</u>	<u>(\$119,331)</u>	<u>(\$120,582)</u>
FTE Change - DIFP	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$67,482)</u>	<u>(\$119,331)</u>	<u>(\$120,582)</u>
Estimated Net FTE Change on the Insurance Dedicated Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (6 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Insurers' would be responsible for filing additional reports with the Department of Insurance, Financial Institutions and Professional Registration.

FISCAL DESCRIPTION

This proposal enacts the model version of the own risk and solvency assessments (ORSA) legislation developed by the National Association of Insurance Commissioners. The purpose of the model legislation is to allow large- and medium-sized insurers to develop their own model of current and future financial risk and allow regulators to determine how insurers will react to financial stress.

Insurers must file a report on solvency risk with the Director of the Department of Insurance, Financial Institutions and Professional Registration. The department director is to determine the deadline for the report. Insurers required to file the report are specified in the proposal, and the criteria for the report are specified in the proposal. Procedures for sharing information with the National Association of Insurance Commissioners and for maintaining records are also specified. The report cannot be a public record under Chapter 610, RSMo, the Open Meetings and Records Law, commonly known as the Sunshine Law, or subject to use in civil actions of any kind.

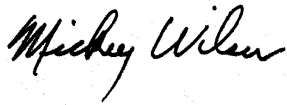
This proposal is effective January 1, 2016.

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

L.R. No. 0597-01
Bill No. SB 206
Page 5 of 5
January 30, 2015

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration



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January 30, 2015

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January 30, 2015