

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0598-01  
Bill No.: SB 205  
Subject: Insurance - General; Department of Insurance  
Type: Original  
Date: January 30, 2015

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Bill Summary: This proposal modifies insurance holding company regulation and expands the power of the Director of the Department of Insurance to examine insurance holding company systems.

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	(\$173,285)	(\$190,578)	(\$192,579)
Insurance Examination	(\$39,776)	(\$47,311)	(\$47,804)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$213,061)</b>	<b>(\$237,889)</b>	<b>(\$240,383)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Insurance Dedicated	1.6	1.6	1.6
Insurance Examination	0.4	0.4	0.4
<b>Total Estimated Net Effect on FTE</b>	<b>2</b>	<b>2</b>	<b>2</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 the proposal requires more extensive analysis by the insurance department and interaction with international regulators through participation and hosting of supervisory colleges. The department does not currently have staff with an understanding of advanced risk management strategies or the man-hours available to complete the in-depth review and work with the supervisory colleges.

Missouri is the lead state for 28 active holding companies that contain 51 domestic insurers. DIFP will be responsible for conducting analysis not only on an entity level but will be responsible for coordinating review of the entire holding company system. Missouri also regulates 39 insurers that are part of holding companies and Missouri will be responsible for participating and providing information to other states regarding enterprise risk management and holding company review. The new in-depth analysis and enterprise risk management review will require a full time dedicated risk management specialist.

Missouri is the lead international regulator of two international holding companies and the lead US regulator for another. Additional review work and responsibilities will be required to host and attend supervisory colleges with international regulators. The in-depth knowledge of US and international insurance accounting and regulation will require a full time examiner level specialist.

Therefore, the department is requesting 2 Insurance Examiners III (at \$74,975 annually) with in-depth knowledge of US and international insurance accounting and regulations to review the new form F filings and coordinate, attend, monitor supervisory colleges and the information generated for and from them. DIFP estimates expense totals of at least \$213,061 in FY 16, at least \$237,889 in FY 17, and at least \$240,383 in FY18. DIFP assumes the cost will be divided between the Insurance Dedicated Fund and the Insurance Examination Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>INSURANCE DEDICATED FUND</b>			
<u>Costs - DIFP</u>			
Personal service	(\$99,967)	(\$121,160)	(\$122,371)
Fringe benefits	(\$51,988)	(\$63,009)	(\$63,639)
Equipment and Expense	<u>(\$21,330)</u>	<u>(\$6,409)</u>	<u>(\$6,569)</u>
<u>Total Costs - DIFP</u>	<u>(\$173,285)</u>	<u>(\$190,578)</u>	<u>(\$192,579)</u>
FTE Change - DIFP	1.6 FTE	1.6 FTE	1.6 FTE
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>(\$173,285)</u></b>	<b><u>(\$190,578)</u></b>	<b><u>(\$192,579)</u></b>
Estimated Net FTE Change on the Insurance Dedicated Fund	1.6 FTE	1.6 FTE	1.6 FTE
<b>INSURANCE EXAMINATION FUND</b>			
<u>Costs - DIFP</u>			
Personal service	(\$24,992)	(\$30,290)	(\$30,593)
Fringe benefits	(\$12,997)	(\$15,752)	(\$15,910)
Equipment and Expense	<u>(\$1,787)</u>	<u>(\$1,269)</u>	<u>(\$1,301)</u>
<u>Total Costs - DIFP</u>	<u>(\$39,776)</u>	<u>(\$47,311)</u>	<u>(\$47,804)</u>
FTE Change - DIFP	.4 FTE	.4 FTE	.4 FTE
<b>ESTIMATED NET EFFECT ON INSURANCE EXAMINATION FUND</b>	<b><u>(\$39,776)</u></b>	<b><u>(\$47,311)</u></b>	<b><u>(\$47,804)</u></b>
Estimated Net FTE Change on the Insurance Examination Fund	.4 FTE	.4 FTE	.4 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

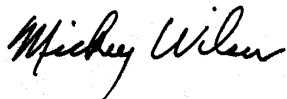
FISCAL DESCRIPTION

This proposal provides rules and requirements for analysis of insurance holding companies by the Department of Insurance, Financial Institutions and Professional Registration.

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



Mickey Wilson, CPA  
Director  
January 30, 2015

Ross Strobe  
Assistant Director  
January 30, 2015