

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1536-04
Bill No.: HCS for SB 392
Subject: Insurance - General; Insurance - Life; Department of Insurance
Type: Original
Date: May 11, 2015

Bill Summary: This proposal changes the laws regarding the regulation of insurance.

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 Fund	\$47,448 to (\$98,660)	(\$26,925 to \$189,619)	\$32,637 to (\$131,722)
Total Estimated Net Effect on Other State Funds	\$47,448 to (\$98,660)	(\$26,925 to \$189,619)	\$32,637 to (\$131,722)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 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 or 3 FTE	1 or 3 FTE	1 or 3 FTE
Total Estimated Net Effect on FTE	1 or 3 FTE	1 or 3 FTE	1 or 3 FTE

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

Section 324.023

In response to a similar proposal from this session, HB 422, officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assumed the provisions of this proposal can be handled within current appropriations. However, should the extent of the work be more than anticipated, some boards may require an additional FTE and expenses, which would be requested through the appropriation process.

Section 374.015, 374.018 and 376.791

In response to a similar proposal from this session, SB 362, officials from the **DIFP** assumed that 2 FTEs (1 Attorney and 1 Paralegal) would be sufficient to cover the additional legal work in this proposal. However, should the volume of request for no-action letters be more than anticipated, the department will request an additional FTE (1 Attorney) through the budget process. Currently the state has 264 insurance groups with premiums greater than \$2,000,000. A fair estimate is that 1 in 2 insurance groups will request a no-action letter in a given year. This would translate to about 132 requests per year.

Oversight assumes that because this proposal is discretionary DIFP would only take action if the required funds were appropriated through the budget process.

For fiscal note purposes, **Oversight** will show a zero or the full cost of the additional FTE associated with the proposal, as estimated by DIFP.

Section 375.1605

In response to a similar proposal from this session, HB 609, officials from the **DIFP** and the **Department of Labor and Industrial Relations** each assumed the proposal would not fiscally impact their respective agencies.

Section 378.633

In response to a previous version of this proposal, Officials from the **DIFP** assumed the proposal would not fiscally impact their agency.

ASSUMPTION (continued)

Section 379.1640

In response to a similar proposal from this session, SB 503, officials from the **DIFP** assumed their department would collect licensure fees for all licensed producers as specified in the proposal. These fees would be deposited in the Insurance Dedicated Fund and should not exceed the cost to meet the requirements of this proposal.

The department estimates there are at least 1,200 self-storage facilities in Missouri. Those facilities could be owned by the same individual or company, so to get a revenue estimated the department used 600 as the minimum estimated number of potential licensees. The department estimates 100 new applications each year plus a biennial renewal of the original 600 in FY18. One Licensing Technician II FTE (\$26,652 annual salary) will be needed to provide technical support, process applications for licensure, and respond to inquiries related to the licensure law and/or rules and regulations. Also provides administrative support, track complaints and discipline and respond to inquiries relating to the licensure laws or rules and regulations.

Should the extend of the work be more than anticipated, the department would request additional appropriation and/or FTE through the budget process.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
INSURANCE DEDICATED FUND			
<u>Income - DIFP (Section 379.1640)</u>			
Licensing and Renewal Fees	\$90,000	\$15,000	\$75,000
<u>Costs - DIFP (§379.1640)</u>			
Salaries	(\$22,210)	(\$26,919)	(\$27,188)
Fringe Benefits	(\$11,328)	(\$13,730)	(\$13,867)
Equipment and Expense	(\$9,014)	(\$1,276)	(\$1,308)
<u>Total Costs - DIFP</u>	<u>(\$42,552)</u>	<u>(\$41,925)</u>	<u>(\$42,363)</u>
FTE Change - DIFP	1 FTE	1 FTE	1 FTE
<u>Costs - DIFP (§374.015, §374.018 & §376.791)</u>			
Salaries	\$0 or (\$87,500)	\$0 or (\$106,050)	\$0 or (\$107,111)
Fringe Benefits	\$0 or (\$44,629)	\$0 or (\$54,091)	\$0 or (\$54,632)
Equipment and Expenses	<u>\$0 or (\$13,979)</u>	<u>\$0 or (\$2,553)</u>	<u>\$0 or (\$2,616)</u>
<u>Total Costs - DIFP</u>	<u>\$0 or (\$146,108)</u>	<u>\$0 or (\$162,694)</u>	<u>\$0 or (\$164,359)</u>
FTE Change - DIFP	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$47,448 to</u> <u>(\$98,660)</u>	<u>(\$26,925 to</u> <u>\$189,619)</u>	<u>\$32,637 to</u> <u>(\$131,722)</u>
Estimated net FTE Change on the Insurance Dedicated Fund	1 or 3 FTE	1 or 3 FTE	1 or 3 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Self-Service Storage facilities that are selling insurance will be required to follow new licensing regulations.

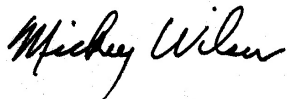
FISCAL DESCRIPTION

This proposal changes multiple insurance regulations.

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
Department of Labor and Industrial Relations



Mickey Wilson, CPA
Director
May 11, 2015

Ross Strobe
Assistant Director
May 11, 2015