

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5524-01
Bill No.: SB 862
Subject: Insurance - General; Insurance - Property; Department of Insurance, Financial Institutions and Professional Registration
Type: Original
Date: March 7, 2016

Bill Summary: This proposal creates a regulatory system for self-service storage insurance and the selling of such insurance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Insurance Dedicated	\$14,344	(\$35,647)	\$23,978
Total Estimated Net Effect on <u>Other</u> State Funds	\$14,344	(\$35,647)	\$23,978

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a similar proposal from this session, SB 780, officials from the **Department of Insurance, Financial Institutions and Professional Registration (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 FY19. 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 appropriations and/or FTE through the budget process.

Oversight assumes that DIFP used a fee of \$150 per application to calculate their estimated income for SB 780. The current proposal states a fee of \$100 to be charged per application. For fiscal note purposes, Oversight will reduce the fee income from the SB 780 estimate to match the language in this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Licensing and Renewal Fees	\$60,000	\$10,000	\$70,000
<u>Costs - DIFP</u>			
Salaries	(\$22,210)	(\$26,919)	(\$27,188)
Fringe Benefits	(\$14,478)	(\$17,446)	(\$17,520)
Equipment and Expense	<u>(\$8,968)</u>	<u>(\$1,282)</u>	<u>(\$1,314)</u>
<u>Total Costs - DIFP</u>	<u>(\$45,656)</u>	<u>(\$45,647)</u>	<u>(\$46,022)</u>
FTE Change - DIFP	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND			
	<u>\$14,344</u>	<u>(\$35,647)</u>	<u>\$23,978</u>
Estimated net FTE Change on the Insurance Dedicated Fund	1 FTE	1 FTE	1 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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 creates a regulatory system for self-service storage insurance and the selling of such insurance. This proposal allows a self-service storage operator ("operator") to offer and disseminate self-service storage insurance under certain conditions, including being under the control of a limited lines self-service storage insurance producer ("producer"). Producers shall maintain a register of each operator that offers the self-service storage insurance on the producers' behalf and make the information contained in the register available to the Department of Insurance, Financial Institutions, and Professional Registration ("Department") upon request.

FISCAL DESCRIPTION (continued)

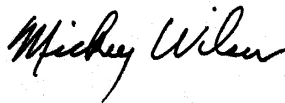
The producers shall also require each employee and authorized representative of the operator whose duties include offering and disseminating self-service storage insurance to receive training that meets minimum standards outlined in the proposal, which may be subject to review by the Director of the Department.

Operators offering and disseminating self-service storage insurance shall make available brochures or other print materials to prospective purchasers that meet minimum standards as outlined in the proposal. Self-service storage operator's employees and authorized representatives shall not engage in certain activities including evaluating the technical terms of the policies or holding themselves out as insurance producers. The producer is responsible for the acts of the operator and shall use reasonable means to ensure compliance of the operator with the terms of the proposal.

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
March 7, 2016

Ross Strobe
Assistant Director
March 7, 2016