

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5573-05
Bill No.: SS for SCS for HCS for HB 2194
Subject: Insurance - Automobile; Insurance - Property
Type: Original
Date: May 10, 2016

Bill Summary: This proposal modifies various provisions regarding 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 6 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

Section 287.955

In response to a proposal with similar provisions, HCS for HB 1955, officials from the **Department of Labor and Industrial Relations (DOLIR)** assumed the bill could result in an initial nominal reduction in the premium base for Workers' Compensation Insurance and thusly, the amount collected under the Administrative Tax and the Second Injury Fund Surcharge. The exact amount cannot be calculated since DOLIR cannot determine which reporting quarter employers will use and what amount the payroll for each employer would be in the reporting quarter.

The bill will result in fewer persons that must be covered by workers' compensation insurance. This will reduce workers' compensation premiums. Reduced premiums will result in reduced tax collections from the workers' compensation administrative tax and surcharge and from the second injury fund surcharge and supplemental surcharge.

Section 374.205

In response to a proposal with similar provisions, HB 2611, officials from the **Department of Insurance, Financial Institutions and Professional Registration** assumed the proposal would not fiscally impact their agency.

Section 375.004

In response to a previous version of this proposal, containing only this language, officials from the **Department of Insurance, Financial Institutions and Professional Registration** assumed the proposal would not fiscally impact their agency.

Section 379.118

In response to a proposal with similar provisions, SB 975, officials from the **Department of Insurance, Financial Institutions and Professional Registration** assumed the proposal would not fiscally impact their agency.

ASSUMPTION (continued)

Section 379.125

In response to a proposal with similar provisions, HB 1668, officials from the **Department of Insurance, Financial Institutions and Professional Registration** assumed the proposal would not fiscally impact their agency.

Section 379.1640

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.

Bill as a Whole

Officials from the **Department of Transportation** and the **University of Missouri** each assume the current proposal would not fiscally impact their respective organizations.

<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	(\$8,968)	(\$1,282)	(\$1,314)
<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

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

FISCAL DESCRIPTION

Currently, an insurer must meet certain notification requirements before refusing to renew a homeowner's insurance or an automobile insurance policy. The act provides that an insurer does not need to meet such notice requirements when: 1) the insurer assigns or transfers the policy to an affiliate or subsidiary within the same insurance holding company, 2) the assignment or transfer is effective upon the expiration of the existing policy, and 3) prior to providing coverage for a subsequent policy term the insurer accepting the assignment or transfer provides notice of the assignment or transfer to the insured.

FISCAL DESCRIPTION (continued)

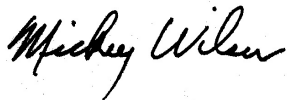
If after the assignment or transfer of a policy the coverage will not be substantially equivalent to the coverage in the policy prior to the assignment or transfer, then the insurer must notify the policyholder that some coverage provisions will change.

This proposal would create a regulatory system for self-service storage insurance and the selling of such insurance

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
University of Missouri
Department of Transportation
Department of Labor and Industrial Relations



Mickey Wilson, CPA
Director
May 10, 2016

Ross Strobe
Assistant Director
May 10, 2016