

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1899-01  
Bill No.: SB 484  
Subject: Insurance - Medical; Health Care  
Type: Original  
Date: February 23, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$351,863)	(\$703,727)	(\$1,055,591)
County Foreign Insurance	\$0	\$0	
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$351,863)</b>	<b>(\$703,727)</b>	<b>(\$1,055,591)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>(\$351,863)</b>	<b>(\$703,727)</b>	<b>(\$1,055,591)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

**FISCAL ANALYSIS**

ASSUMPTION

**Department of Insurance (INS)** officials state the department's operations and responsibilities would not be affected by the proposal only the operations of the Missouri Property and Casualty Insurance Guaranty Association (MOCIGA). INS states an increase in payments by the MPCIGA for losses would decrease state revenues. INS states the MPCIGA recovers its losses by assessing its member insurers. The member insurers are allowed a tax credit against premium tax for 1/3 of each assessment in each of the three years following the year of assessment. INS states the mean annual assessment for bodily injury claims from 1996-1998 is calculated at \$2,814,910. Legislation caps any increase in bodily injury claims by the applicable policy limits. INS estimates that half the amount of claims payments would be unaffected because they are already paid out at policy limits. INS states the other half would increase by the factor of 2.5. INS states the result of these two assumptions is an overall increase by a factor of 1.75 for the bodily injury claim assessment. INS states the mean annual assessment of \$2,814,910 multiplied by 1.75 produces a mean annual assessment for bodily injury claims of \$4,926,092 which is an increase of \$2,111,182 which could potentially be taken against future premium taxes if the insurer's tax liability would be sufficient to claim the full credit.

**Oversight** assumes that 1/3 of the assessment will be claimed each year plus any carryover from previous years assessments. **Oversight** also assumes that insurance companies would have sufficient premium tax to offset the yearly claim for assessments.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Loss - Department of Insurance</u>			
Reduction in premium taxes	<u>(\$351,863)</u>	<u>(\$703,727)</u>	<u>(\$1,055,591)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$351,863)</u></b>	<b><u>(\$703,727)</u></b>	<b><u>(\$1,055,591)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>COUNTY FOREIGN INSURANCE FUND</b>			
<u>Savings - Department of Insurance</u>			
Distributions to local political subdivisions	\$351,863	\$703,727	\$1,055,591
<u>Loss - Department of Insurance</u>			
Reduction in premium taxes	<u>(\$351,863)</u>	<u>(\$703,727)</u>	<u>(\$1,055,591)</u>
<b>ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Loss - Local Political Subdivisions</u>			
Decrease in premium tax distributions	<u>(\$351,863)</u>	<u>(\$703,727)</u>	<u>(\$1,055,591)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$351,863)</u></b>	<b><u>(\$703,727)</u></b>	<b><u>(\$1,055,591)</u></b>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would broaden the categories of expenses an insured claimant may receive from the Missouri Property and Casualty Insurance Guaranty Association on claims arising from bodily injury, sickness, or disease. All property and casualty insurers doing business in the state would be members of the association, which covers any insurance claims made against an insurer that has become insolvent. Under this proposal, an insured claimant may recover for loss of wages. The association would only be responsible up to the face amount or limits of the DESCRIPTION (continued)

policies allows such claimants to be awarded up to two-and-a-half times the cost of their reasonable medical expenses and loss of earnings, up to their insurance policy limits.

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

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA  
Director

February 23, 2001