

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4902-01
Bill No.: SB 1204
Subject: Insurance - General; Insurance Department
Type: Original
Date: March 12, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$0 to (\$28,778,387)	\$0 to (\$28,778,387)	\$0 to (\$28,778,387)
Insurance Dedicated	(\$23,755)	(\$27,019)	(\$27,703)
County Foreign Insurance	\$0 to (\$28,778,387)	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$23,755 to \$57,580,529)	(\$27,019 to \$28,805,406)	(\$27,703 to \$28,806,090)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0 to (\$28,778,387)	\$0 to (\$28,778,387)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state this legislation creates the Missouri Medical malpractice Joint Underwriting Assoc. within Chapter 383 RSMo. 383.040 exempts Medical malpractice associations organized under 383.010 to 383.040 from paying premium tax. During 2000, \$92.8 million in medical malpractice premiums were written in Missouri. The premium tax (2%) on this amount would be \$1,856,774. Loss of premium tax revenue which is split between GR and County Foreign Insurance will be \$0 to \$1,856,774 depending on whether all medical malpractice insurance is written through the association.

The association may assess members up to one percent of the companies direct premium for operating costs of the association. This assessment may be taken as a credit against premium tax due (tax due for members from premiums written on all property and casualty insurance). One percent of all P&C premium would be \$55.7 million dollars. Credits against premium taxes could be up to this amount, therefore INS assumes the fiscal impact is \$0 to \$55.7 million. While this assessment is not new language, the association was never established so no assessments/credits have occurred. The INS is unable to estimate what the assessment might be for startup and operations.

INS is required to collect data and complete a statistical plan. The department would require a half-time Research Analyst III and related E&E to collect and analyze data for statistical plan and for use by the Association.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		

GENERAL REVENUE

Loss – Department of Insurance

Reduced premium taxes	\$0 to (\$928,387)	\$0 to (\$928,387)	\$0 to (\$928,387)
Credits for assessments	<u>\$0 to</u> <u>(\$27,850,000)</u>	<u>\$0 to</u> <u>(\$27,850,000)</u>	<u>\$0 to</u> <u>(\$27,850,000)</u>
ESTIMATED NET EFFECT ON	<u>\$0 to</u>	<u>\$0 to</u>	<u>\$0 to</u>
GENERAL REVENUE	<u>(\$28,778,387)</u>	<u>(\$28,778,387)</u>	<u>(\$28,778,387)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
INSURANCE DEDICATED			
Costs - Department of Insurance			
Personal Service (½ FTE)	(\$15,088)	(\$18,558)	(\$19,022)
Fringe Benefits	(\$5,433)	(\$6,683)	(\$6,850)
Expense and Equipment	<u>(\$3,234)</u>	<u>(\$1,778)</u>	<u>(\$1,831)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED	<u>(\$23,755)</u>	<u>(\$27,019)</u>	<u>(\$27,703)</u>
COUNTY FOREIGN INSURANCE			
<u>Savings - Department of Insurance</u>			
Reduced distributions to schools	\$0	\$0 to \$28,778,387	\$0 to \$28,778,387
<u>Loss – Department of Insurance</u>			
Reduced premium taxes	\$0 to (\$928,387)	\$0 to (\$928,387)	\$0 to (\$928,387)
Credits for assessments	<u>\$0 to (\$27,850,000)</u>	<u>\$0 to (\$27,850,000)</u>	<u>\$0 to (\$27,850,000)</u>
ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE	<u>\$0 to (\$28,778,387)</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Loss–School Districts			
Reduced distributions	\$0	\$0 to (\$28,778,387)	\$0 to (\$28,778,387)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>\$0 to (\$28,778,387)</u>	<u>\$0 to (\$28,778,387)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal creates the Missouri Medical Malpractice Joint Underwriting Association. The association will be an independent public corporation for the purpose of insuring health care providers against medical malpractice claims. It will operate as a domestic mutual insurance company and will not be a state agency. The association is granted the powers of a not for profit corporation. The association's members will consist of insurance companies authorized to write casualty insurance in Missouri. The association is authorized to issue medical malpractice insurance policies in amounts not to exceed \$1 million per claimant or \$3 million for all claimants under one policy. In addition, the association is authorized to make an assessment against member companies to meet the operational expenses of the association. The association shall be operational by March 1, 2004.

The act creates a board of directors for the association. The board shall be appointed by January 1, 2003, and will consist of five members who shall serve five years and be appointed by the Governor with the advice and consent of the Senate. The board shall adopt a plan of operation by March 1, 2004.

The board must hire an administrator by March 1, 2003, to act as the association's chief executive officer. The administrator must formulate a risk management program for all policyholders. The program shall include an investigation into the causes of medical injuries, development of methods to control these injuries, and an audit of association members to assure implementation of the program. The plan may refuse to insure any insured who refuses to comply with the risk management program.

The proposal requires the Director of the Department of Insurance to obtain complete statistical data with respect to medical malpractice losses and well as the costs related to medical malpractice liability insurance. The Director shall promulgate a statistical plan relating to loss and loss adjustment expense experience.

The proposal requires an annual audit of the association. A copy of the audit report shall be filed with the Director of the Department of Insurance and shall be open to the public for inspection.

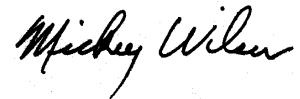
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance

CM:LR:OD (12/01)

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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA
Acting Director
March 12, 2002

CM:LR:OD (12/01)