

HB 559 -- INSURANCE BONDS

SPONSOR: Richard

COMMITTEE ACTION: Voted "do pass" by the Committee on Financial Services by a vote of 19 to 0.

This bill repeals the bond requirement to acquire a license to sell surplus lines of insurance.

FISCAL NOTE: Estimated Net Reduction of General Revenue Fund of Unknown in FY 2004, FY 2005, and FY 2006. Estimated Net Loss to County Foreign Insurance Fund of Unknown in FY 2004, FY 2005, and FY 2006.

PROPOSERS: Supporters say that the bill will make the state compliant with federal law requiring uniformity and reciprocity among the states in this area. Under current law, insurance agents located outside the state do not have to secure a bond to sell surplus lines of insurance, while agents within the state are required to purchase a bond. This puts agents in Missouri at a competitive disadvantage. Currently, 38 states do not require a bond.

Testifying for the bill were Representative Richard; Independent Insurance Brokers and Agents of Missouri; and Missouri Insurance Coalition.

OPPOSERS: Those who oppose the bill say that surplus lines are, by definition, unusual lines of insurance and the insurance producer might not be registered with the Department of Insurance. The bond is simply security on the taxes that will be owed by the agent. It is evident that this is necessary, given that the legislature increased the amount of this bond requirement just a few years ago.

Testifying against the bill was American Insurance Association.

Richard Smreker, Senior Legislative Analyst