

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4087-01
Bill No.: HB 1159
Subject: Administrative Law; Courts; Insurance - General
Type: Original
Date: February 17, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** assumes the proposal will have no fiscal impact on their organization.

Officials from the **Office of Attorney General (AGO)** assume the Department of Insurance would continue to staff administrative hearings with in-house counsel and therefore, it is assumed that this proposal would have no fiscal impact on the AGO.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate the proposal will not significantly alter its caseload, therefore, resulting in no fiscal impact.

Officials from the **Department of Insurance (INS)** state the proposal could have a substantial impact upon the INS depending upon the amount of class action litigation filed against the insurance industry in Missouri. This requires the INS to attempt to resolve these cases administratively, but confers no explicit statutory authority or jurisdiction under which the INS would make these decisions.

The proposal would require virtually all class action litigation regarding interpretation of insurance law and policy language to be referred to the INS for an interpretation if the court believes such interpretation would “aid the court”. The INS would be required to conduct its

ASSUMPTION (continued)

own internal proceedings regarding the dispute and make a determination as to which party is correct. The INS would require three (3) additional attorneys and two (2) additional investigators to handle these investigations and proceedings. The INS anticipates an increase in requests for information and general inquiries; one (1) consumer Service Rep II is required to handle these calls and inquiries. Related equipment and expense for these additional staff are also being requested.

The INS estimates the cost of this proposal, including personal service costs and related expense and equipment, to be \$302,927 for FY 05; \$344,162 for FY 06; and \$352,935 for FY 07.

Oversight was not able to find any class action lawsuits filed against insurance companies in the State of Missouri within the past year or so. **Oversight** assumes the INS would not need additional staff at the present time, based on the fact no class action lawsuits have been filed. If, however, circumstances change, the INS could request additional funding through the appropriations process.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal requires courts to refer any class action suit against an insurance company to the Department of Insurance, where these cases would first be processed administratively. The court must abate any class action suit whenever it determines that the department could make any findings of fact or conclusions of law that would aid the court in resolving the case. An

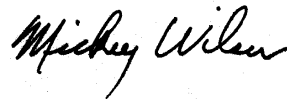
DESCRIPTION (continued)

abatement tolls the applicable statute of limitations for that action. The proposal requires the period of abatement to be at least six months.

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

Office of Attorney General
Office of State Courts Administrator
Office of Administration -
 Administrative Hearing Commission
Department of Insurance



Mickey Wilson, CPA
Director
February 17, 2004