

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4251-01
Bill No.: HB 1253
Subject: Banks and Financial Institutions; Insurance - General; Insurance Dept.
Type: Original
Date: March 1, 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 , Department of Economic Development (DED) - Division of Finance, DED - Division of Credit Unions, Department of Corrections, Office of Prosecution Services, Department of Social Services and Office of State Public Defender** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Insurance (INS)** state the proposal will have no fiscal impact on the INS, but it would impact how receiverships are handled. Under section 375.246, companies would get credit for reinsurance even though reinsurers might refuse to pay the receiver in certain events. Changes to section 375.1198 would likely work to limit the receiver's right to setoff debts or avoid setoff of debts owed to the estate. Currently reinsurers are class 5 claims. Under the revised language, reinsurers would be getting their money up front without going through the claims priority scheme, leaving fewer funds available to pay claims in classes 1-4.

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

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

FISCAL IMPACT - Small Business

Small businesses could be affected by this proposal if the insurer becomes insolvent .

DESCRIPTION

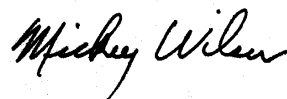
This proposal makes changes to the insurance laws regarding the powers and duties of liquidators, mutual credits, debt set-offs, and credits for reinsurance. The proposal clarifies that an order to liquidate an insurer does not affect the validity of any arbitration clauses in the insurer's existing contracts. The proposal repeals provisions that limit the extent to which an insurer may set off debts in cases of an insurer's liquidation, insolvency, or rehabilitation. The proposal also repeals provisions clarifying that the statute supersedes the insurer's contractual terms in determining the setoff rights of any person under contract with the insurer.

The bill contains penalty provisions.

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 State Courts Administrator
Department of Economic Development -
 Division of Finance
 Division of Credit Unions
Department of Corrections
Department of Social Services
Department of Insurance
Office of Prosecution Services
Office of State Public Defender



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