COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4251-03
Bill No.: SCS for HCS for HB 1253
Subject: Insurance - General; Insurance Dept.; Insurance - Property
Type: Original
Date: April 14, 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 STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on All 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 All 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 **Department of Economic Development (DED) - Division of Credit Unions** and **DED - Division of Finance** 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

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

DESCRIPTION

Under the current law, the Director of the Department of Insurance must disallow as an asset or deduction from liability to any ceding insurer any credit for reinsurance unless the reinsurance is payable to the ceding company and to its receiver if the ceding company is impaired or insolvent. This proposal removes the requirement that the ceding company be impaired (Section 375.246). This proposal provides that nothing shall deprive a party in interest of any contractual right to pursue arbitration of a dispute during a liquidation proceeding except during the stay period and claims against the estate (Section 375.1176).

Under this proposal, no setoff shall be allowed where the obligations between the person and the insurer arise from reinsurance relationships resulting in business where either the person or insurer has assumed risks and obligations from the other party and then has ceded back to that party substantially the same risks and obligations (Section 375.1198). The proposal also removes the December 31, 2005, sunset clause on two provisions of Section 375.1220 which allow an estimation of contingent liabilities to be used to fix creditors' claims during the liquidation process. The proposal provides that expert testimony concerning estimates of incurred but not reported losses may be received into evidence in any tribunal proceeding by the receiver or by the reinsurer, provided that the testimony is otherwise admissible (section 375.1220).

Section 379.825 changes the liability limit from one hundred to two hundred thousand dollars for habitational property.

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 Economic Development -
- Division of Finance
- Division of Credit Unions

Department of Insurance

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