

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0394-02
Bill No.: HB 323
Subject: Law Enforcement Officers and Agencies; Retirement - Local Government;
Retirement Systems and Benefits - General
Type: Original
Date: February 22, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials with the **Local Government Employees Retirement System** and **Kansas City Police and Civilian Retirement System** assume no fiscal impact to their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2006
(10 Mo.)

FY 2007

FY 2008

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill changes the laws regarding medical malpractice insurance. The bill:

(1) Includes policies providing professional malpractice insurance to health care providers within the definition of "commercial casualty insurance" for purposes of Sections 379.882 - 379.888, RSMo. Currently, professional malpractice insurance is not included;

(2) Subjects malpractice insurers to Sections 379.882 - 379.893 regarding commercial casualty insurance, Section 379.321.6 dealing with rate filing and notice requirements of commercial casualty insurance, and Sections 374.202 - 374.207 on the examination powers of the Director of the Department of Insurance;

(3) Establishes a procedure by which medical malpractice insurers can make premium rate changes otherwise presumed unreasonable under Section 383.405, including: prior notice to the director; a hearing, including evidence presentation by the insurer and opponents, which may be a public hearing at the director's discretion; an appeals process for the insurer if the director determines the rate change to be unjustified; and an insurer charging rates greater than 20% lower than the market rate will not be subject to the hearing requirement if the insurer files a certificate of actuarial soundness with the director;

(4) Creates penalties for violations and authorizes license suspension upon the written order of the director after notice to the insurer and a hearing;

(5) Prohibits insurance companies and other entities providing malpractice insurance to health care providers in Missouri from:

(a) Increasing premium charges by more than \$1,000 without 60 days' prior notice to the insured;

(b) Refusing to renew policies without 60 days' prior notice, unless the refusal to renew is based

DESCRIPTION (continued)

upon nonpayment of insurance premiums or license termination or suspension; and

(c) Ceasing to issue insurance policies without 180 days' prior notice to the department;

(6) Requires the department to establish 12 to 20 risk-reporting categories for medical malpractice insurance premiums and regulations for their reporting by May 30, 2006;

(7) Requires insurance companies and other entities providing malpractice insurance in Missouri to report to the department, by June 1, 2006, and annually thereafter, the premium rates charged by category;

(8) Requires the department, by December 31, 2007, and annually thereafter, to establish and publish a market rate reflecting the median of the actual rates charged for each risk-reporting category for the preceding year;

(9) Provides that, after January 1, 2008, insurance premium rates charged by insurance companies and other entities providing malpractice insurance in Missouri which are no greater than 20% higher or lower than the published market rate will be presumed reasonable, and rates greater than 20% higher or lower will be presumed unreasonable;

(10) Requires, beginning January 1, 2006, any stock company organized as provided by Section 287.902 for the purpose of issuing medical malpractice insurance in Missouri to meet the requirements of Chapter 379 regarding the organization of insurance companies and the laws governing the organization of private corporations. The department director may waive capital and surplus requirements for five years after incorporation, and the company will not be subject to the membership requirements of the Missouri Property and Casualty Insurance Guarantee Association until after three years. No company, corporation, or association authorized to issue medical malpractice insurance prior to August 28, 2005, may incorporate under the provisions of this section;

(11) Requires the department to promulgate rules defining the term "claim" as it relates to medical malpractice; and

(12) Requires the department to study and report to the General Assembly by January 15, 2007, on the feasibility and economic impact of offering medical malpractice policies written to apply to injuries which result from acts or omissions occurring during the policy period.

DESCRIPTION (continued)

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

Joint Committee on Public Employee Retirement
Local Government Employee Retirement
Police Retirement System of Kansas City
Civilian Employees Retirement of Kansas City

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 22, 2005