

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0655-01
Bill No.: HB 407
Subject: Insurance - Automobile; Insurance - General; Insurance Dept.
Type: Original
Date: February 20, 2007

Bill Summary: Establishes the Uninsured Motorist Stipulation of Benefits Act of 2007 which limits the recovery for noneconomic losses by uninsured motorists.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	Unknown less than \$100,000	Unknown less than \$100,000	Unknown less than \$100,000
Total Estimated Net Effect on General Revenue Fund	Unknown less than \$100,000	Unknown less than \$100,000	Unknown less than \$100,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Insurance Dedicated	\$0 to \$10,250	\$0	\$0
Highway	Unknown less than \$160,550	Unknown less than \$172,660	Unknown less than \$172,660
Conservation	Unknown less than \$100,000	Unknown less than \$100,000	Unknown less than \$100,000
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown less than \$270,800	Unknown less than \$272,660	Unknown less than \$272,660

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	(Unknown) to \$20,183	(Unknown) to \$24,220	(Unknown) to \$24,220

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA) - Administrative Hearing Commission, Office of State Courts Administrator, Department of Public Safety (DPS) - Director's Office, DPS - Missouri State Highway Patrol**

Officials from the **Office of Attorney General** assume any costs arising from this proposal can be absorbed with existing resources.

Officials from the **Office of Prosecution Services (OPS)** cannot readily determine the number of present or past criminal prosecutions pursuant to the provisions of Sections 303.025 and 303.042. The OPS believes that a number of additional criminal case referrals would result from this legislation and any increase in the number of cases referred to prosecutors for criminal charges will have an impact on the case load of prosecutors.

Generally an increase in the punishment for existing crimes impacts the time it takes to prosecute such cases. While it is not likely this proposal would have a fiscal impact on county prosecutors, the OPS is not able to determine if the proposal would have a significant direct fiscal impact on county prosecutors.

It is unclear whether the provision of the proposal that provides for the impoundment of a defendant's motor vehicle for a second or subsequent violation would require any involvement of prosecuting attorneys. If so, then it is anticipated this legislation would have an even greater fiscal impact on prosecutors though again, the extent of such impact is unclear.

The legislation would have no significant direct fiscal impact on the OPS.

Officials from the **Office of State Public Defender (SPD)** assume the proposal will create new cases for the SPD. The exact number of cases affected is too uncertain to provide a definitive dollar amount of fiscal impact. Nevertheless, there will be some impact.

Since the amount of impact is so uncertain, the SPD is assuming existing staff will be able to provide representation in these cases initially. However, once the true fiscal impact is determined, the SPD will reassess the impact of the legislation. Passage of more than one bill increasing existing penalties or creating new crimes would require increased appropriations for the State Public Defender.

ASSUMPTION (continued)

Officials from the **COA Risk Management - General Services Division** state the proposed legislation has the potential for savings to the State Legal Expense Fund by limiting payment of noneconomic damages in a motor vehicle accident where the claimant is found to be operating a vehicle without liability insurance. Currently, when an uninsured motor vehicle is involved in an accident, the claimant has the right to pursue recovery for pain and suffering. The State Segal Expense Fund does not pay for punitive damages.

The state self-assumes its own liability protection under the state legal expense fund, Section 105.711, RSMo. It is a self-funding mechanism whereby funds are made available for the payment of any claim or judgment rendered against the state in regard to the waivers of sovereign immunity or against employees and specified individuals. Investigation, defense, negotiation or settlement of such claims is provided by the Office of Attorney General. Payment is made by the Commissioner of Administration with the approval of the Attorney General. The proposed legislation has the potential for savings to the state, but the amount of savings is unknown.

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state auto insurers may refile their policy forms to amend the cancellation notice for nonpayment of premium. There are currently 205 auto insurers reporting premium payments. Policy form amendments must be submitted to the DIFP along with a \$50 filing fee. The DIFP estimates one-time revenues to the Insurance Dedicated Fund of \$0 to \$10,250 (205 insurers X \$50).

Officials from the **Department of Corrections (DOC)** state the DOC cannot predict the number of new commitments which may result from the creation of the offenses(s) outlined in this proposal. An increase in commitment depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operational cost through supervision provided by the Board of Probation and Parole (FY 06 average of \$2.52 per offender, per day or an annual cost of \$920 per offender per year).

Supervision by the DOC through probation or incarceration would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Officials from the **Department of Revenue (DOR)** state Constitutional Amendment 3 (2004) authorizes 3% of highway funds to be used to offset the actual cost to collect funds by the DOR. For purposes of this fiscal note, the DOR assumes all costs will be appropriated from the General

ASSUMPTION (continued)

Revenue (GR) Fund. Through the appropriations process, the General Assembly may appropriate the constitutionally permissible highway fund amount to offset the GR cost shown in this fiscal note.

Driver License Bureau (DLB) Processing Impact:

This proposal will require programming the Missouri Driver License System (MODL). These changes will need to be tested by internal staff. This testing can be completed during normal working hours.

Several forms currently used by the DLB will need to be destroyed, revised, and re-printed. The DOR assumes destruction costs and revision costs can be absorbed within current funding levels.

The current reinstatement fee for a first time offense of driving and/or owning a motor vehicle without liability insurance is \$20. This proposal revises Section 303.042 by increasing the reinstatement fee amount for the first offense to \$100. The total number of mandatory suspensions reinstated in 2006 was 1,121. This generated \$24,220 in fees collected. Assuming the same number of suspensions will reinstate in 2007, there would be an additional \$96,880 collected (1,211 reinstatements X \$80 increase).

The **COA - Information Technology Services Division (ITSD)** estimates this legislation could be implemented utilizing existing resources. However, if priorities shift, additional FTE/overtime would be needed to implement the provisions of the proposal.

Officials from the **Missouri Department of Transportation (DOT)** state the proposal could have a positive fiscal impact on the DOT in cases where damages resulting from a motor vehicle accident with an officer or employee of the DOT are limited to economic recovery due to the other driver being an uninsured motorist. The amount of any such positive fiscal impact is uncertain, but presumed to be under \$100,000 annually.

Officials from the **Missouri Department of Conservation (MDC)** state the proposed legislation could have a positive fiscal impact on MDC funds since it limits recoveries under certain circumstances. The exact amount is unknown, but is expected to be less than \$100,000 annually.

FISCAL IMPACT - State Government

FY 2008
(10 Mo.)

FY 2009

FY 2010

GENERAL REVENUE FUND

Savings - Office of Administration

Reduction in payments for
noneconomic damages

Unknown less
than \$100,000

Unknown less
than \$100,000

Unknown less
than \$100,000

**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

Unknown less
than \$100,000

Unknown less
than \$100,000

Unknown less
than \$100,000

INSURANCE DEDICATED FUND

Income - DIFP

Form filing fees

\$0 to \$10,250

\$0

\$0

**ESTIMATED NET EFFECT ON
INSURANCE DEDICATED FUND**

\$0 to \$10,250

\$0

\$0

HIGHWAY FUNDS

Savings - Missouri Department of
Transportation

Reduction in payments for
noneconomic damages

Unknown less
than \$100,000

Unknown less
than \$100,000

Unknown less
than \$100,000

Income - DOR

Increase in reinstatement fees

\$60,550

\$72,660

\$72,660

**ESTIMATED NET EFFECT ON
HIGHWAY FUNDS**

Unknown less
than \$160,550

Unknown less
than \$172,660

Unknown less
than \$172,660

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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CONSERVATION FUND

Savings - Missouri Department of
 Conservation

Reduction for payments for
 noneconomic damages

<u>Unknown less than \$100,000</u>	<u>Unknown less than \$100,000</u>	<u>Unknown less than \$100,000</u>
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**ESTIMATED NET EFFECT ON
 CONSERVATION FUND**

<u>Unknown less than \$100,000</u>	<u>Unknown less than \$100,000</u>	<u>Unknown less than \$100,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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**LOCAL GOVERNMENTS - CITIES
 AND COUNTIES**

Income - Cities

Increase in reinstatement fees

\$12,110	\$14,532	\$14,532
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Income - Counties

Increase in reinstatement fees

<u>\$8,073</u>	<u>\$9,688</u>	<u>\$9,688</u>
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Total Income - Cities and Counties

<u>\$20,183</u>	<u>\$24,220</u>	<u>\$24,220</u>
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Costs - County Prosecutors

Increase in prosecuting attorney costs

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
 LOCAL GOVERNMENTS - CITIES
 AND COUNTIES**

<u>(Unknown) to \$20,183</u>	<u>(Unknown) to \$24,220</u>	<u>(Unknown) to \$24,220</u>
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FISCAL IMPACT - Small Business

The proposal may impact small businesses if they operate uninsured vehicles which are involved in accidents.

FISCAL DESCRIPTION

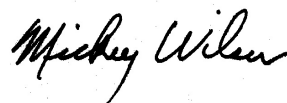
This proposal establishes the Uninsured Motorist Stipulation of Benefits Act of 2007. An uninsured motorist involved in an accident with a complying policyholder will be eligible to recover 100% of any economic loss, 50% of any non-economic loss, and waive any right to recover for punitive damages. If the uninsured motorist is an illegal alien, his or her right to recover non-economic loss or punitive damages is waived.

If a motor vehicle owner fails to maintain financial responsibility as required in Section 303.160, RSMo, the owner will be guilty of a class B misdemeanor for a first offense and a class A misdemeanor for a second or subsequent violation and will have his or her motor vehicle impounded and driver's license suspended. The first-time reinstatement fee for a suspended driver's license due to the owner not maintaining financial responsibility on a motor vehicle is increased from \$20 to \$100.

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 Administration -
 Administrative Hearing Commission
 General Services/Risk Management
Office of State Courts Administrator
Missouri Department of Transportation
Department of Insurance, Financial and Professional Regulation
Department of Corrections
Department of Revenue
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Department of Conservation
Office of Prosecution Services
Office of State Public Defender



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