

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4719-01  
Bill No.: HB 1977  
Subject: Motor Vehicles: Insurance Department  
Type: Original  
Date: February 22, 2008

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Bill Summary: Establishes the Missouri Vehicle Protection Act which requires registration of persons selling vehicle protection products in Missouri.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Insurance Dedicated Fund	\$22,528	(\$1,507)	(\$2,811)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$22,528</b>	<b>(\$1,507)</b>	<b>(\$2,811)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Insurance Dedicated Fund	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

☐ 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

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### **ASSUMPTION**

Officials from the **Office of State Courts Administrator** state this proposal has no fiscal impact on the Courts.

In response to a similar proposal from last session (HB 600 - FN 1610-01), officials from the **Office of Attorney General** assumed any potential costs arising from the proposal could be absorbed with existing resources.

Officials from the **Office of Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact to the SOS office for Administrative Rules for this proposal is less than \$2,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

Officials from the **Department of Insurance, Financial and Professional Regulation (DIFP)** state it is anticipated that the department will receive an influx of filings so that providers can be in compliance. DIFP is requesting one Insurance Product Analyst II (\$31,320 annually) to review reimbursement contracts received. DIFP would use existing staff to implement the financial analysis and enforcement provisions of this legislation. DIFP cannot estimate how many companies will register but estimates it will be around 100. If the numbers are considerably more, additional staff may need to be requested.

Revenue will be generated as vehicle protection product warrantors are required to pay an annual registration fee of up to \$500. The DIFP estimates that approximately 100 warrantors will be registered, for a yearly revenue amount of \$50,000. The proposal does not indicate where fees will be deposited, so the department has assumed the fees would be deposited into the Insurance Dedicated Fund, where other such fees are deposited.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<u>Income - DIFP</u>			
Registration fees	\$50,000	\$50,000	\$50,000
<u>Costs - DIFP</u>			
Personal service (1.0 FTE)	(\$16,052)	(\$32,906)	(\$33,728)
Fringe benefits	(\$7,265)	(\$14,893)	(\$15,265)
Equipment and expense	(\$4,155)	(\$3,708)	(\$3,818)
Total <u>Cost - DIFP</u>	<u>(\$27,472)</u>	<u>(\$51,507)</u>	<u>(\$52,811)</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>\$22,528</u></b>	<b><u>(\$1,507)</u></b>	<b><u>(\$2,811)</u></b>
Estimated Net FTE Change for Insurance Dedicated Fund	1.0 FTE	1.0 FTE	1.0 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

#### FISCAL IMPACT - Small Business

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

#### FISCAL DESCRIPTION

This proposal establishes the Missouri Vehicle Protection Product Act. Under the proposal, a person would be prohibited from selling or offering for sale a vehicle protection product in Missouri unless the seller, warrantor, and any administrator complies with the provisions of the proposed proposal.

**REGISTRATION AND FILING REQUIREMENTS OF WARRANTORS** - A person could not act as a warrantor or represent to the public that the person is a warrantor without registering with the Department of Insurance. The department may charge each registrant a reasonable fee to offset the cost of processing a registration and maintaining the records. The fee shall not exceed \$500 per year.

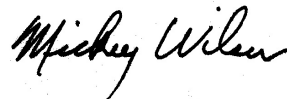
FISCAL DESCRIPTION (continued)

The proposal has an effective date of January 1, 2009.

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 Insurance, Finance, and Professional Regulation  
Office of Secretary of State  
Administrative Rules Division  
Office of the Attorney General



Mickey Wilson, CPA  
Director  
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