

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3805-02
Bill No.: HB 1904
Subject: Insurance - Life; Insurance - Medical.
Type: Original
Date: February 15, 2010

Bill Summary: Changes the requirements under the Missouri Life and Health Insurance Guaranty Association Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$0 to (Unknown exceeding \$50,000)	\$0 to (Unknown exceeding \$50,000)	\$0 to (Unknown exceeding \$50,000)
Total Estimated Net Effect on General Revenue Fund	\$0 to (Unknown exceeding \$50,000)	\$0 to (Unknown exceeding \$50,000)	\$0 to (Unknown exceeding \$50,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
County/ County Foreign	0*	0*	0*
Total Estimated Net Effect on <u>Other</u> State Funds	0*	0*	0*

* Loss in premium taxes collected and transferred-out to schools nets to \$0.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
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 2011	FY 2012	FY 2013
Local Government	\$0 to (Unknown exceeding \$50,000)	\$0 to (Unknown exceeding \$50,000)	\$0 to (Unknown exceeding \$50,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Administrative Hearing Commission** and **Office of State Courts Administrator** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state this legislation will result in a zero to unknown loss of premium tax revenue. Should an insurance company insolvency occur, the Missouri Life and Health Insurance Guaranty Association will pay out more funds due to the increased limits of coverage under this proposal. Insurance companies, who are members of the guaranty association, will pay increased assessments. Insurance companies are allowed to take a credit against premium taxes for these assessments (376.745 RSMo). The amount of such increased assessments and the resulting tax credits are unknown, but estimated to be over \$100,000.

Premium tax revenue is split 50/50 between General Revenue and the County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Loss - DIFP</u>			
Reduction in premium taxes collected	<u>\$0 to (Unknown exceeding \$50,000)</u>	<u>\$0 to (Unknown exceeding \$50,000)</u>	<u>\$0 to (Unknown exceeding \$50,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 to (Unknown exceeding \$50,000)</u>	<u>\$0 to (Unknown exceeding \$50,000)</u>	<u>\$0 to (Unknown exceeding \$50,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
COUNTY/COUNTY FOREIGN STOCK FUNDS			
<u>Loss - DIFP</u>			
Reduction in premium taxes collected	\$0 to (Unknown exceeding \$50,000)	\$0 to (Unknown exceeding \$50,000)	\$0 to (Unknown exceeding \$50,000)
<u>Transfer-Out - County Treasurers/Schools</u>			
Reduction in transfer of premium taxes to schools	<u>\$0 to Unknown exceeding \$50,000</u>	<u>\$0 to Unknown exceeding \$50,000</u>	<u>\$0 to Unknown exceeding \$50,000</u>
ESTIMATED NET EFFECT ON COUNTY/COUNTY FOREIGN STOCK FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL GOVERNMENTS - SCHOOLS			
<u>Transfer-in - County Treasurers/Schools</u>			
Reduction in premium taxes transferred from County/County Foreign Stock Funds	<u>\$0 to (Unknown exceeding \$50,000)</u>	<u>\$0 to (Unknown exceeding \$50,000)</u>	<u>\$0 to (Unknown exceeding \$50,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - SCHOOLS	<u>\$0 to (Unknown exceeding \$50,000)</u>	<u>\$0 to (Unknown exceeding \$50,000)</u>	<u>\$0 to (Unknown exceeding \$50,000)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal modifies various provisions of the "Missouri Life and Health Insurance Guaranty Association Act". The proposal increases the coverage limits on certain insurance policies in which the guaranty association will become obligated to pay. The proposal increases coverage limits from \$100,000 to \$300,000 for disability insurance and long term care insurance (current law does not explicitly reference long term care policies), and to \$500,000 for basic hospital, medical and surgical insurance and major medical insurance. The aggregate coverage limit, which currently is \$300,000 for any one life, is increased to \$500,000 with respect to benefits for major medical insurance and basic hospital, medical and surgical insurance. A cap of \$5,000,000 in benefits is added for corporate-owned life insurance policies.

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 Administration -
Administrative Hearing Commission
Office of State Courts Administrator
Department of Insurance, Financial Institutions, and Professional Registration



Mickey Wilson, CPA
Director
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