

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1208-01
Bill No.: HB 550
Subject: Consumer Protection; Department of Insurance, Financial Institutions and Professional Registration; Attorneys
Type: Original
Date: February 15, 2019

Bill Summary: This proposal establishes the Consumer Legal Funding Model Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Department of Insurance Dedicated Fund (0566)	Less than \$20,000	Less than \$20,000	Less than \$20,000
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$20,000	Less than \$20,000	Less than \$20,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 436.550 - 436.570

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state that this bill requires that consumer legal funding companies register with the "Department of Insurance, Financial Institutions and Professional Registration." For the purposes of this fiscal note, DIFP assumes that it is the intent of this legislation that the registration, enforcement and rule promulgation required by this proposal will be the responsibility of the Division of Finance. As such, the division believes it can absorb the these responsibilities for a small number of companies; however, until the FY20 budget is final, the department cannot identify specific funding sources. Should the number of registrations be greater than anticipated, the division would request additional resources through the budget process. However, if registration, enforcement and rule promulgation is intended to be with the department's insurance divisions an appropriation from general revenue for the necessary staff and expenses will be required before the provisions of this proposal can be implemented.

Oversight assumes income of less than \$20,000 from applications (\$500) and renewals (\$200 every 2 years) in Section 436.570, RSMo.

Officials from the **Office of the State Courts Administrator** assume the proposal will have no fiscal impact on their organization.

In response to a similar proposal from last year (SB 957), officials from the **Attorney General's Office** assumed the proposal will have no fiscal impact on their organization.

Oversight notes a request for fiscal impact was sent to the Attorney General's Office on January 14, 2019 and was due back to Oversight by January 28, 2019. Oversight has not received a response from the AGO and therefore Oversight has presented this fiscal note based on a response from the AGO to a similar proposal from last year.

Oversight notes that the Department of Insurance, Financial Institutions and Professional Registration and the Office of the State Courts Administrator has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
DEPARTMENT OF INSURANCE DEDICATED FUND			
<u>Revenue - DIFP</u>	Less than	Less than	Less than
Registration and Renewal Fees (Section 436.570)	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>
ESTIMATED NET EFFECT TO THE DEPARTMENT OF INSURANCE DEDICATED FUND	Less than <u>\$20,000</u>	Less than <u>\$20,000</u>	Less than <u>\$20,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses providing consumer legal funding may be fiscally impacted by this proposal.

FISCAL DESCRIPTION

This bill establishes the "Consumer Legal Funding Model Act." The bill requires that all consumer legal funding contracts meet certain requirements, including that the contract be completely filled in when presented to the consumer, that it contain a right of rescission, that it contain the initials of the consumer on each page, and that it require the consumer to give direction to his or her attorney to notify the consumer legal funding company when the legal claim has been resolved. The consumer legal funding company shall also notify the consumer's attorney of the consumer legal funding contract. The bill also bans consumer legal funding companies from performing certain actions as set forth in this act.

Further, any attorney employed by a consumer engaged in a consumer legal funding contract shall not engage in certain actions as specified in the bill.

This bill specifies that a consumer legal funding company shall require the contracted amount paid to the funding company to be based upon intervals of time from the funding date through the resolution date, and not determined as a percentage of the recovery from the legal claim.

FISCAL DESCRIPTION (continued)

Any consumer legal funding contract shall not be valid if its terms exceed a period of 48 months, and the contingent right to receive an amount of the proceeds of a legal claim is assignable under this act. A consumer legal funding company may not attempt to negatively impact a consumer's credit history, except in cases of breach of contract and fraud. All consumer legal funding contracts shall contain certain disclosures as set forth in this bill.

The bill requires all consumer legal funding companies to register with the Department of Insurance, Financial Institutions and Professional Registration. Such registration shall contain information required by the department to make an evaluation of the character and fitness of the company, and shall be accompanied by a \$500 fee. Such registration must be renewed every two years for a fee of \$200. Along with filing an application with the department, the company may also be required to provide a bond of \$50,000 or an irrevocable letter of credit. The consumer legal funding company may be entitled to a hearing, as specified in the bill.

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 Insurance, Financial Institutions and Professional Registration
Attorney General's Office
Office of the State Courts Administrator



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Director
February 15, 2019

Ross Strobe
Assistant Director
February 15, 2019