

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5267H.011
 Bill No.: HB 2524
 Subject: Insurance - General
 Type: Original
 Date: February 19, 2024

Bill Summary: This proposal establishes standards in regards to insurance company reinsurance coverage and company examination standards.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund*	\$0 or (\$1,457,372)	\$0 or (\$1,457,372)	\$0 or (\$1,457,372)
Total Estimated Net Effect on General Revenue	\$0 or (\$1,457,372)	\$0 or (\$1,457,372)	\$0 or (\$1,457,372)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
County Foreign Insurance Fund *	\$0 or (\$1,457,372)	\$0 or (\$1,457,372)	\$0 or (\$1,457,372)
Total Estimated Net Effect on <u>Other State Funds</u>	\$0 or (\$1,457,372)	\$0 or (\$1,457,372)	\$0 or (\$1,457,372)

*The wording of the proposal may remove the Department of Commerce and Insurance’s ability to tax mutual insurance companies operating in Missouri.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 380.621 - Insurance company reinsurance coverage and standards

Officials from the **Department of Commerce and Insurance (DCI)** assume the first sentence of subsection 3 of the new section 380.621 states that “Notwithstanding any provision of law to the contrary, the authority expressly granted in this section shall be the sole authority granted to the department over any Missouri mutual insurance company operating under the provisions of this chapter.” The new section 380.621 makes no mention of premium tax filings or payments. As such, this bill would remove the Division’s ability to require that chapter 380 mutual companies file premium tax returns and make premium tax payments pursuant to section 148.376. These returns are currently filed with DCI, which then certifies the amount of tax due from the companies to the Department of Revenue pursuant to section 148.380.1 so that the Department of Revenue can assess the companies pursuant to section 148.380.2, and the DCI is charged with taking action against delinquent companies pursuant to section 148.380.3.

The DCI is also charged with certifying the tax due from companies that do not file a return under section 148.410 so that the Department of Revenue can assess those companies. DCI believes that the Department of Revenue would not have the ability to take action against a company that refuses to file a premium tax return without DCI first carrying out its statutory duty. Using the amount of premium tax paid in calendar year 2023 based on the 2022 tax year filings as a conservative estimate, by removing the DCI’s ability to enforce section 148.376, this bill would have a (\$2,914,743) impact on state revenue. Pursuant to section 148.380.4, half of this impact (\$1,457,371.50) would be on the general revenue fund and the other half would be on the county foreign insurance fund, which is transferred to the state school moneys fund each year pursuant to section 148.360.

Officials from the **Department of Revenue (DOR)** assume this proposal exempts Missouri mutual insurance companies from rules and regulations other than those in Section 380.621. Currently insurance companies are required to pay premium tax under Chapter 148. This proposal appears to exempt these companies from the premium tax. Each year DCI calculates the amount of premium tax owed by the companies. DOR defers to DCI for the estimate of the loss to state revenue.

Oversight will reflect the assumptions of the Department of Commerce and Insurance and the Department of Revenue as a potential loss of revenue to the state (\$0 or..).

Officials from the **Office of Administration - Budget and Planning** defer to the Department of Commerce and Insurance for the potential fiscal impact of this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Loss – DCI Premium Tax</u>	<u>\$0 or (\$1,457,372)</u>	<u>\$0 or (\$1,457,372)</u>	<u>\$0 or (\$1,457,372)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 or (\$1,457,372)</u>	<u>\$0 or (\$1,457,372)</u>	<u>\$0 or (\$1,457,372)</u>
COUNTY FOREIGN INSURANCE FUND			
<u>Loss – DCI Premium Tax</u>	<u>\$0 or (\$1,457,372)</u>	<u>\$0 or (\$1,457,372)</u>	<u>\$0 or (\$1,457,372)</u>
ESTIMATED NET EFFECT TO THE COUNTY FOREIGN INSURANCE FUND	<u>\$0 or (\$1,457,372)</u>	<u>\$0 or (\$1,457,372)</u>	<u>\$0 or (\$1,457,372)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to mutual insurance companies could be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill creates the "Protecting Missouri's Mutual Insurance Companies Act". The bill states that no Missouri mutual insurance company will be required to acquire or carry reinsurance greater than adequate reinsurance, and that unlimited aggregate reinsurance will be optional. The bill states that the Director of the Department of Commerce and Insurance shall not hold a hearing regarding a proposed merger of Missouri mutual insurance companies unless there is substantial and competent evidence to believe the merger will prejudice the policyholders of the companies. The Director shall provide a written notice of hearing with the reasons and the date of the hearing within 15 days of receiving the petition of merger.

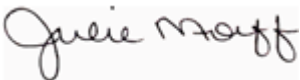
The bill states that the Department shall not charge a rate exceeding a reasonable fee for the examination of Missouri mutual insurance companies, and that the Department must hold a scheduling conference and provide a budget estimate for the examination.

The bill also states that the working papers, documents, and information obtained or disclosed during the examination will be confidential and not subject to subpoena or public disclosure.


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 - Budget and Planning
Department of Revenue
Department of Commerce and Insurance



Julie Morff
Director
February 19, 2024



Ross Strobe
Assistant Director
February 19, 2024