

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3270S.05P
Bill No.: Perfected SS for SCS for SB 834
Subject: Department of Commerce and Insurance; Insurance - Life; Insurance - Health;
Banks and Financial Institutions; Insurance - General
Type: Original
Date: March 28, 2024

Bill Summary: This proposal enacts provisions relating to reinsurance and examinations of insurance companies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Insurance Dedicated Fund	\$0 or (\$234,124)	\$0 or (\$285,667)	\$0 or (\$290,479)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (\$234,124)	\$0 or (\$285,667)	\$0 or (\$290,479)

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
Insurance Dedicated Fund	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE
Total Estimated Net Effect on FTE	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE

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

Section 374.192:

Officials **Department of Commerce and Insurance (DCI)** assume the department would need a minimum of three (3.00) FTE to implement and handle process changes that will be required as a result of these statutory changes. Two (2.00) additional regulatory auditor FTE will be required to ensure that the initial review of filings subject to a deemer are completed within two (2) days of receipt and that company responses to requests for information are also reviewed within two (2) days of receipt. Furthermore, the time constraints associated with certain filings will result in an increase in the number of filing disapprovals in order to prevent insurers from using deemed filings that contain non-compliant language. This has the potential to significantly impede an insurers ability to bring new product to market quickly. The change will likely result in an increase in the number of Notices of Noncompliance issued to insurers. It is anticipated that at least one (1.00) Examiner FTE will be needed to support this additional work. It may also overrule the requirement in 374.215, hindering the department's ability to produce statutorily required reports in a timely fashion. Additional legal support may be necessary if the work load increases beyond what is expected and would be requested through the budget process.

Oversight notes DCI had not requested additional FTE for SB 1348 with similar language for Section 374.192. Oversight assumes DCI is provided with core funding to handle a certain amount of activity each year. Oversight assumes DCI may be able to absorb the costs related to this proposal. Oversight will reflect a cost of \$0 to the estimated cost and FTE provided by DCI.

Sections 380.621 - Insurance company reinsurance coverage and standards

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 assumes the perfected version of section 380.621 changes this provision and will not eliminate premium tax collection as mentioned in previous fiscal notes.

In response to similar legislation, officials from the **Office of Administration - Budget and Planning** deferred 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
INSURANCE DEDICATED FUND			
<u>Cost – DCI (3 FTE)</u>	\$0 or...	\$0 or	\$0 or
Personal Service	(\$141,667)	(\$1,734,00)	(\$176,868)
Fringe Benefits	(\$92,458)	(\$112,267)	(\$113,611)
<u>Total Cost - DCI</u>	(\$234,124)	(\$285,667)	(\$290,479)
<u>FTE Change – DCI</u>	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE
ESTIMATED NET EFFECT TO THE INSURANCE DEDICATED FUND	<u>\$0 or</u> <u>(\$234,124)</u>	<u>\$0 or</u> <u>(\$285,667)</u>	<u>\$0 or</u> <u>(\$290,479)</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

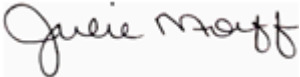
This proposal enacts provisions relating to reinsurance and examinations of insurance companies.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.


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SOURCES OF INFORMATION

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



Julie Morff
Director
March 28, 2024



Ross Strobe
Assistant Director
March 28, 2024