COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1833-01
Bill No.: SB 551
Subject: Insurance - General; Insurance Dept.; Health Care Professionals
Type: Original
Date: February 21, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	$0 to ($33,873,951)	$0 to ($33,873,951)	$0 to ($33,873,951)
Total Estimated Net Effect on General Revenue Fund *	**$0 to ($33,873,951)**	**$0 to ($33,873,951)**	**$0 to ($33,873,951)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Insurance Dedicated	($27,536)	($29,119)	($29,864)
County Foreign Insurance *	**$0 to ($33,873,951)**	$0	$0
Total Estimated Net Effect on Other State Funds *	**($27,536 to $33,901,487)**	**($29,119)**	**($29,864)**

*** The fiscal impact would be divided between the General Revenue Fund , the County Foreign Insurance Fund (which ultimately goes to local school districts throughout the state) and the County Stock Fund (which is distributed to counties and local school districts) if some of the tax credits are utilized against insurance premium taxes. An unknown fiscal impact to the County Stock Fund is included in the General Revenue and County Foreign Insurance Fund impacts.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government *	**$0**	**$0 to (33,901,487)**	**$0 to (33,901,487)**

*** The fiscal impact would be divided between the General Revenue Fund , the County Foreign Insurance Fund (which ultimately goes to local school districts throughout the state) and the County Stock Fund (which is distributed to counties and local school districts) if some of the tax credits are utilized against insurance premium taxes. An unknown fiscal impact to the County Stock Fund and Blind Pension Fund is included in the General Revenue and County Foreign Insurance Fund impacts.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state Medical Malpractice Associations organized under 383.010 to 383.040, RSMo, are exempt from premium tax. During 2001, malpractice premiums were $109,081,421. The premium tax rate is 2%. Depending on whether all medical malpractice insurance is written through the association, the loss of premium tax revenue could be up to $2,181,628 ($109,081,421 X 2%). The premium tax revenue is split 50/50 between General Revenue and the County Foreign Insurance Fund for all insurance companies other than domiciled stock property and casualty companies. Stock property and casualty companies pay premium tax to the County Stock Fund. The County Stock Fund is distributed to the counties and schools where the principal office of the company is located and the blind pension fund according to the same ratio as property tax. The County Foreign Insurance Fund is later distributed to school districts throughout the state. The loss of revenue us reflected as Unknown in these funds, but could be as much as $2,181,628 in total.
ASSUMPTION (continued)

The association may assess members up to 1% of the companies' direct premium for operating costs of the association. This assessment can be taken as a credit against premium tax due from all property and casualty insurance companies. One percent of all property and casualty insurance premiums would be $65,566,274 (1% of Missouri direct written premium = $6,556,627,453).

Credits against premium tax for startup and operation of the association is unknown, but could be as much as the 1% assessment rate of $65,566,274. The premium tax is distributed as noted above.

The INS is required to collect data and prepare a statistical plan for the association. The INS would require a ½ time Research Analyst III and related equipment and expenses to collect and analyze data for the statistical plan and other data needed by the association.

FISCAL IMPACT - State Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
Loss - Department of Insurance			
Reduction in premium taxes	$0 to ($1,090,814)	$0 to ($1,090,814)	$0 to ($1,090,814)
Credits for assessments	$0 to (32,783,137)	$0 to (32,783,137)	$0 to (32,783,137)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *	**$0 to ($33,873,951)**	**$0 to ($33,873,951)**	**$0 to ($33,873,951)**
INSURANCE DEDICATED FUND			
Costs - Department of Insurance			
Personal service costs (½ FTE)	($14,796)	($18,199)	($18,654)
Fringe benefits	($5,988)	($7,365)	($7,549)
Equipment and expense	($6,752)	($3,555)	($3,661)
Total Costs - Department of Insurance	($27,536)	($29,119)	($29,864)
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	**($27,536)**	**($29,119)**	**($29,864)**

*** The fiscal impact would be divided between the General Revenue Fund , the County Foreign Insurance Fund (which ultimately goes to local school districts throughout the state) and the County Stock Fund (which is distributed to counties and local school districts) if some of the tax credits are utilized against insurance premium taxes. An unknown fiscal impact to the County Stock Fund and Blind Pension Fund is included in the General Revenue and County Foreign Insurance Fund impacts.**

FISCAL IMPACT - State Government (continued)	FY 2004 (10 Mo.)	FY 2005	FY 2006

COUNTY FOREIGN INSURANCE FUND			
Savings - Department of Insurance			
Reduced distribution to schools	$0	$0 to $33,873,951	$0 to $33,873,951
Loss - Department of Insurance			
Reduction in premium taxes	$0 to ($1,090,814)	$0 to ($1,090,814)	$0 to ($1,090,814)
Credits for assessments	$0 to (32,783,137)	$0 to (32,783,137)	$0 to (32,783,137)
ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND *	**$0 to ($33,873,951)**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
SCHOOL DISTRICTS			
Loss - School Districts			
Reduced distributions	$0	$0 to ($33,873,951)	$0 to ($33,873,951)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS *	**$0**	**$0 to ($33,873,951)**	**$0 to ($33,873,951)**

*** The fiscal impact would be divided between the General Revenue Fund , the County Foreign Insurance Fund (which ultimately goes to local school districts throughout the state) and the County Stock Fund (which is distributed to counties and local school districts) if some of the tax credits are utilized against insurance premium taxes. An unknown fiscal impact to the County Stock Fund and Blind Pension Fund is included in the General Revenue and County Foreign Insurance Fund impacts.**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal creates the Missouri Medical Malpractice Joint Underwriting Association. The association will be an independent public corporation for the purpose of insuring health care providers against medical malpractice claims. It will operate as a domestic mutual insurance company and will not be a state agency. The association is granted the powers of a not for profit corporation. The association's members will consist of insurance companies authorized to write casualty insurance in Missouri. The association is authorized to issue medical malpractice insurance policies in amounts not to exceed $1 million per claimant or $3 million for all claimants under one policy. The association is authorized to make an assessment against member companies to meet the operational expenses of the association. The association shall be operational by March 1, 2004.

The proposal creates a Board of Directors for the association. The Board shall be appointed by January 1, 2004, and will consist of five members appointed by the Governor with the advice and consent of the Senate. The Board members' terms shall be five years. The Board shall adopt a plan of operation by March 1, 2004.

The Board must hire an administrator by March 1, 2004, to act as the association's chief executive officer. The administrator must formulate a risk management program for all policyholders. The program shall include an investigation into the causes of medical injuries, development of methods to control these injuries, and an audit of association members to assure implementation of the program. The plan may refuse to insure any insured who refuses to comply with the risk management program.

The proposal requires the Director of the Department of Insurance to obtain complete statistical data with respect to medical malpractice losses and well as the costs related to medical malpractice liability insurance. The Director shall promulgate a statistical plan relating to loss and loss adjustment expense experience.

The proposal requires an annual audit of the association. A copy of the audit report shall be filed with the Director of the Department of Insurance and shall be open to the public for inspection.

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

HW-C:LR:OD (12/02)

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