

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0932H.05T
Bill No.: Truly Agreed To and Finally Passed HCS for SS for SB 6
Subject: Insurance - General
Type: Original
Date: June 3, 2021

Bill Summary: This proposal modifies provisions relating to insurance.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------------|------------------|------------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| Petroleum Storage Tank Insurance Fund | \$125,000 | \$130,000 | \$135,000 |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$125,000 | \$130,000 | \$135,000 |

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| | | | |
| | | | |
| 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 2022 | FY 2023 | FY 2024 |
| | | | |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

SEQ CHAPTER 1303.220 – Certificates of Self Insurance

Officials from the **Department of Revenue (DOR)** state this section of the proposal changes the language from “prohibits” to “discourages” when referring to the requirements religious organizations must possess to qualify for Missouri’s Self-Insurance Program.

ADMINISTRATIVE IMPACT

Driver License Bureau (DLB)

Currently, 20 religious organizations participate in Missouri’s Self-Insurance Program because their religious beliefs “prohibit” their members from purchasing insurance. The proposed legislation revising “prohibits” to “discourages” will significantly increase the number of religious denomination qualifying for self-insurance. This presumption is based on a religious organization only being required to “discourage” its members from purchasing insurance, rather than “prohibiting” (forbidding) the purchase of insurance.

To implement the proposed changes, the Driver License Bureau will be required to:

- Update forms and correspondence;
- Update procedures and Department website;
- Revise Administrative Rules; and
- Train Staff

FY 2022 – Driver License Bureau

| | | |
|-------------------------|----------------------------|------------------|
| Research/Data Assistant | 120 hrs. @ \$15.98 per hr. | = \$1,918 |
| Research/Data Analyst | 120 hrs. @\$23.82 per hr. | = \$2,858 |
| Administrative Manager | 80 hrs. @\$22.24 per hr. | = <u>\$1,779</u> |
| Total | | \$6,555 |

FY 2022 – Personnel Services Bureau

| | | |
|-----------------------------------|------------------------------|-----------|
| 2 Associate Research/Data Analyst | 40 hrs. @\$19.08 per hr. X 2 | = \$1,526 |
|-----------------------------------|------------------------------|-----------|

Total FY 2022 Cost

\$8,081

The Department anticipates being able to absorb the administrative costs. If multiple bills are passed that require Department resources, funding/FTE will be requested through the appropriations process.

FTE Requirements

DOR issues the Certificate of Insurance and the insurance cards in the name of the Religious Organization rather than the members’ or vehicle owners’ names. Part of the application process and yearly renewal requires the religious organization to provide a listing of all members, as well as the make, model, year, vehicle identification number (VIN), and license plate number for each vehicle covered by the Certificate of Self-Insurance. Every vehicle is researched and key-entered into our Department Self-Insurance Verification System (DSIV). This provides the local License Offices the ability to verify insurance compliance at the time of vehicle registration and renewal. It takes an employee approximately two minutes to research and key each vehicle. The Department currently has one FTE (Account Assistant) to oversee the Self-Insurance Programs.

| | |
|--------|--|
| 6,070 | Current vehicles with religious exemption |
| X 4 | Estimated increase in religious exemptions |
| 24,280 | Estimated Total participants of the religious exemption |
| X 2 | Number Minutes to research and key each vehicle |
| 48,560 | Total minutes |
| / 60 | Number of minutes per hour |
| 809 | Total number of FTE hours needed for DSIV research and entry |
| / 8 | Hours per day |
| 101 | Total days needed to process religious vehicle listings |
| / 252 | Work days per year |
| .4 | TOTAL FTE (Account Clerk- \$26,340) |

For the purposes of this fiscal note, the Department will round the fiscal note requirement down to 0 FTE. Changing the requirement to be eligible for the religious exemption to insurance from “prohibited” to “discouraged” could potentially result in an increase in individuals claiming this exemption. If the increase is more significant than anticipated, FTE will be requested through the appropriations process.

Increased Cost for Self-Insurance Card Stock

DOR prints all Self-Insurance Cards on secure-card stock to prevent fraud. Six insurance cards are printed on each 8 x 10 sheet. The cost per sheet is \$0.12.

| | |
|----------------|--|
| 172,856- | Number of vehicles requiring an insurance card |
| / 6 - | Number of cards printed per sheet |
| 28,809 | Number of 8 x 10 card stock sheets |
| X \$.12 | Cost per sheet |
| \$3,457 | Total cost for additional card stock |

Increased Cost for Envelopes and Postage

DOR mails large envelopes containing the quantity of insurance cards needed for each self-insured organization. Postage is determined based on the weight of each envelope, which contains different quantity volumes of cards. This varies based on the number of members and vehicles insured under each self-insurance certificate issued. Each envelope will hold approximately 350 pages x 6 per page = 2100 cards.

Envelopes

| | |
|-------------|--------------------------------|
| 28,809 | Number of card-stock sheets |
| / 350 | Number of sheets per envelope |
| 82 | Total Envelopes |
| X \$.99 | Cost per Envelope |
| \$81 | Total Cost of Envelopes |

Postage

| | |
|---------------|-------------------------------------|
| 82 | Total Envelopes |
| X \$7.00 | Estimated postage cost per envelope |
| \$ 574 | Total cost for postage |

FY 2022 Total Cost for card stock, envelopes, and postage (\$3,457+ \$81 + \$ 574) = \$4,112/12=\$343x10 = \$3,430

FY 2023 Total Cost for card stock, envelopes, and postage (\$3,457+ \$81 + \$ 574) = \$4,214 (inflation added)

FY 2024 Total Cost for card stock, envelopes, and postage (\$3,457+ \$81 + \$ 574) = \$4,320 (inflation added)

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

§375.029 – Continuing Education

Officials from the **Department of Commerce and Insurance (DCI)** state the department anticipates no fiscal impact from the provisions of this section if an online, electronic method is utilized to capture continuing education credits for membership in professional organizations. The department has contacted the National Association of Insurance Commissioners' (NAIC) State Based Systems (SBS), the current online system utilized by department for continuing education confirmation of licensees, to confirm an electronic process was available. SBS believes their system can be used to capture approved continuing education credit for professional organizations. The professional organization seeking continuing education credit will be setup as a provider of continuing education in SBS with the director-approved continuing credit hours for membership. The professional organization would then submit a course roster for all licensees who are active members of the organization. Currently, the professional

organization may have to pay a \$1 per credit hour cost to upload the roster, but the department will work with the NAIC/SBS on options.

If an electronic process is not possible, the department would be required to use a manual process for processing renewal applications of licensees that wanted to receive professional organization membership continuing education credit approved by the director. Licensing may need to request additional FTE and appropriation to assist with any manual process and would do so through the department's budget request.

Officials from the DCI assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this section.

§§304.153 & 385.220-385.450– Motor Club Provisions SEQ CHAPTER \h \r 1

Oversight notes officials from Department of Commerce and Insurance state motor clubs are not currently taxed under Chapter 148 and section 385.450.2 of the bill will not change taxation.

§319.131- Petroleum Storage Tank Insurance Fund Provisions

Officials from the **Petroleum Storage Tank Insurance Fund (PSTIF)** assume this proposal will have a positive fiscal impact of approximately \$125,000 in FY 2022 and thereafter to PSTIF as it would eliminate the need for the Board of Trustees to purchase excess coverage from the private market.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the PSTIF.

SEQ CHAPTER \h \r 1 SEQ CHAPTER \h \r 1 SEQ CHAPTER \h \r 1

Bill as a whole:

Officials from the **Department of Natural Resources, the Department of Labor and Industrial Relations, the Department of Public Safety - Missouri National Guard, the Department of Public Safety - Missouri Highway Patrol, the Department of Social Services, the Missouri Department of Conservation, the Missouri Department of Transportation, the Office of Administration, the Office of the State Public Defender, the Missouri Office of Prosecution Services, the Office of the State Courts Administrator** and the cities: **Claycomo, Hughesville, Springfield** and the **St. Louis Budget Division** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Rules Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a

certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain within their core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

| <u>FISCAL IMPACT – State Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|---|-------------------------|-------------------------|-------------------------|
| PETROLEUM STORAGE TANK INSURANCE FUND (0585) | | | |
| <u>Savings – PSTIF – no longer have to purchase excess coverage from the private market (§319.131) p. 6</u> | <u>\$125,000</u> | <u>\$130,000</u> | <u>\$135,000</u> |
| ESTIMATED NET EFFECT ON THE PETROLEUM STORAGE TANK INSURANCE FUND | <u>\$125,000</u> | <u>\$130,000</u> | <u>\$135,000</u> |

| <u>FISCAL IMPACT – Local Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|---|---------------------|-------------------|-------------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT – Small Business

A fiscal impact to small insurance businesses could be expected as a result of this proposal.

FISCAL DESCRIPTION

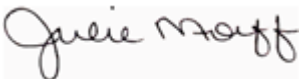
This proposal modifies provisions relating to insurance.

This proposal specifies that legal defense costs to the Petroleum Storage Tank Insurance Fund are separate from other coverage limits and allows the Fund to set a limit for such coverage.

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 Commerce and Insurance
Department of Natural Resources
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
Department of Social Services
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Petroleum Storage Tank Insurance Fund
Office of the Secretary of State
Office of the State Public Defender
Joint Committee on Administrative Rules
Missouri Office of Prosecution Services
Office of the State Courts Administrator
Cities:
Claycomo
Hughesville
Springfield
St. Louis Budget Division



Julie Morff
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June 3, 2021



Ross Strobe
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