

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0980-01
Bill No.: HB 366
Subject: Insurance - General; Insurance - Medical
Type: Original
Date: February 24, 2015

Bill Summary: This proposal changes the laws regarding extraordinary dividends paid by health insurance companies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	(\$104,304)	(\$116,768)	(\$117,955)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$104,304)	(\$116,768)	(\$117,955)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	1	1	1
Total Estimated Net Effect on FTE	1	1	1

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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume as the proposal is written it would allow the 17 health entities domiciled in Missouri a greater dividend capacity. In 2014 health insurers could have paid to their holding company a total of \$15.3 million in dividends without being considered an extraordinary dividend. This proposal would allow those 17 entities to increase that amount 829% to \$147.5 million. In order to ensure the solvency of those health entities domiciled in Missouri the department is requesting 1 Financial Examiner III, at \$75,725 annually, to conduct additional monitoring and financial examination. The total costs to the Insurance Dedicated Fund incurred by DIFP for FY16, FY17, and FY18 would be as follows, respectively, \$104,304, \$116,768, and \$117,955.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
INSURANCE DEDICATED FUND			
<u>Costs - DIFP</u>			
Salaries	(\$63,104)	(\$76,482)	(\$77,247)
Fringe Benefits	(\$32,186)	(\$39,010)	(\$39,400)
Equipment and Expense	<u>(\$9,014)</u>	<u>(\$1,276)</u>	<u>(\$1,308)</u>
<u>Total Costs - DIFP</u>	<u>(\$104,304)</u>	<u>(\$116,768)</u>	<u>(\$117,955)</u>
FTE Change - DIFP	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$104,304)</u>	<u>(\$116,768)</u>	<u>(\$117,955)</u>
Estimated Net FTE Change on the Insurance Dedicated Fund	1 FTE	1 FTE	1 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2016 (10 Mo.)	 FY 2017	 FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

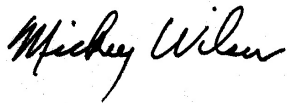
FISCAL DESCRIPTION

This proposal adds health insurance companies to the list of companies prohibited from paying extraordinary dividends or any other extraordinary distribution to shareholders without explicit or implicit approval from the Director of the Department of Insurance, Financial Institutions and Professional Registration.

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



Mickey Wilson, CPA
Director
February 24, 2015

Ross Strobe
Assistant Director
February 24, 2015