

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**February 24, 2003**

**TO:** Honorable John T. Smithee, Chair, House Committee on Insurance

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB113** by Burnam (Relating to the regulation and reform of certain consumer lines of property and casualty insurance; providing a penalty.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB113, As Introduced: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue Gain/ (Loss) from <i>DEPT INS OPERATING</i> <i>ACCT</i> 36</b>	<b>Probable Savings/(Cost) from <i>DEPT INS OPERATING</i> <i>ACCT</i> 36</b>	<b>Change in Number of State Employees from FY 2003</b>
2004	\$364,393	(\$364,393)	4.0
2005	\$236,078	(\$230,058)	3.5
2006	\$220,488	(\$220,488)	3.5
2007	\$226,508	(\$220,488)	3.5
2008	\$220,488	(\$220,488)	3.5

**Fiscal Analysis**

The bill would broaden the category of insurers required to file a plan of withdrawal from Texas. It would specifically include county and farm mutuals, Lloyds plans, and reciprocals or inter-insurance exchanges. The bill would prohibit an adjuster from adjusting a claim for water or mold damage without first obtaining an annually renewable certificate from the Texas Department of Insurance.

The bill would take effect on September 1, 2003 unless it receives a two-thirds majority vote in both the House and Senate, in which case Article 2 of the bill takes effect immediately.

## **Methodology**

The Texas Department of Insurance anticipates the need for an additional two FTEs (Insurance Specialist I) in fiscal year 2004, costing \$51,264, to process an estimated 37,495 certification applications resulting from implementation of the bill. These FTEs would not be needed after the initial applications were processed because the expanded adjuster's license including mold and water damage would replace the earlier adjuster's license. The agency also anticipates a cost of \$141,735 in fiscal year 2004 for criminal background checks related to the applications.

The agency anticipates 37,495 licensed adjusters would attempt to qualify for water and mold certification as a part of the new application process and would charge \$50 per application generating a revenue gain of \$1,874,750 in fiscal year 2004 to the Texas Department of Insurance Operating Account. The revenue would be deposited into General Revenue and then transferred to the Texas Department of Insurance Operating Account by the Comptroller of Public Accounts. As a result of this new application fee, maintenance taxes and fees would be reduced by \$1,510,357 in fiscal year 2004 for the total difference of \$1,874,750 in application fees collections and \$364,393 in total costs.

Continuing education providers requesting authorization to provide mold and water damage training would result in a \$6,020 revenue gain in GR to the Texas Department of Insurance Operating Account in fiscal years 2004, 2005, and 2007 for initial approval and subsequent renewal.

The Department of Insurance indicates it would require two FTEs (Attorney IV) in fiscal year 2004 and one and one-half FTEs in fiscal years 2005-08 to assist in implementing the new Residential Property Insurance Plan, to participate in the development of rules for training adjusters processing claims involving water or mold damage, and implementing an advisory committee if necessary. The bill would also require two FTEs (Attorney III) in fiscal years 2005-08 for enforcement and disciplinary actions against adjusters violating the certification requirement. The total cost related to these attorneys would be \$144,018 in fiscal year 2004, \$230,058 in fiscal year 2005, and \$220,488 for fiscal year 2006-08.

Any additional revenue would be deposited into General Revenue and then transferred to the Texas Department of Insurance Operating Account by the Comptroller of Public Accounts.

## **Technology**

The bill would require \$7,128 in fiscal year 2004 and \$3,564 in fiscal year 2005 for the purchase of computers and software for additional staff.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 454 Department Of Insurance

**LBB Staff:** JK, JRO, RT, RB