

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: HB116 by Burnam (Relating to the Texas Residential Property Insurance Plan Association.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB116, As Introduced: a negative impact of (\$84,000) 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$42,000)
2005	(\$42,000)
2006	(\$42,000)
2007	(\$42,000)
2008	(\$42,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>DEPT INS OPERATING ACCT 36</i>	Probable Savings/ (Cost) from <i>DEPT INS OPERATING ACCT 36</i>	Change in Number of State Employees from FY 2003
2004	(\$42,000)	\$105,809	(\$105,809)	1.5
2005	(\$42,000)	\$67,224	(\$67,224)	1.0
2006	(\$42,000)	\$67,224	(\$67,224)	1.0
2007	(\$42,000)	\$67,224	(\$67,224)	1.0
2008	(\$42,000)	\$67,224	(\$67,224)	1.0

Fiscal Analysis

The bill would expand the applicability of the benchmark rating and flex-band requirements for both auto and residential property insurance to include county mutuals, Lloyd's, farm mutuals and reciprocal and inter-insurance exchanges. It would require one additional rate proceeding to set rates charged for residential property insurance provided through the Texas Residential Property Insurance Plan Association.

The bill would apply to policies issued, renewed, or delivered as of January 1, 2004.

Methodology

The Office of Public Insurance Counsel would incur an additional \$42,000 in General Revenue (GR) per year for professional fees for expert analysis due to the additional rate proceeding required by the bill.

The Texas Department of Insurance would require an additional \$105,809 in GR and 1.5 FTEs in fiscal year 2004 and \$67,224 in GR and 1 FTE each year from fiscal years 2005-08 for an Attorney IV in order to implement the provisions of the bill. The additional staff would provide assistance in policy form reviews, enforcement of noncompliance, developing statistical plans to capture relevant data, and assist in the rate approval process.

It is assumed the Department of Insurance would adjust the insurance maintenance tax to offset the additional cost. 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 Texas Department of Insurance would require an additional \$1,782 in fiscal year 2004 for the purchase of a computer and software for additional staff.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 359 Office Of Public Insurance Counsel, 454 Department Of Insurance

LBB Staff: JK, JRO, RT, RB