

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

February 23, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB259 by Riddle (Relating to the use of certain insurance underwriting guidelines based on credit scores; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB259, As Introduced: a positive impact of \$240,000 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	\$240,000
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/(Cost) from <i>DEPT INS OPERATING ACCT 36</i>	Probable Revenue Gain/ (Loss) from <i>DEPT INS OPERATING ACCT 36</i>
2004	\$240,000	(\$240,000)	\$240,000
2005	\$0	\$0	\$0
2006	\$0	\$0	\$0
2007	\$0	\$0	\$0
2008	\$0	\$0	\$0

Fiscal Analysis

The bill would require insurers to receive Texas Department of Insurance approval before using any credit scoring model, method, or program in underwriting policies for personal automobile, homeowners, farm and ranch, farm and ranch owners, or residential fire and allied lines of insurance. The agency would have 30 days to approve or disapprove the filings.

Methodology

The Texas Department of Insurance indicates it would hire outside consultants to review the credit models, as it does not currently have the staff expertise to do so within 30 days of filing. The agency

estimates approximately 100 hours of actuarial analysis for each of at least 12 methodologies currently in use. Based on the agency's current actuarial contract, the estimated cost would be \$240,000. The agency could absorb the cost of reviewing revisions to each model after the original credit model report is completed.

A revenue gain of \$240,000 would be realized by the General Revenue Fund from fees. It is assumed the Department of Insurance would adjust the Insurance Maintenance Tax to cover the anticipated \$240,000 Texas Department of Insurance Operating Fund costs associated with the implementation of the bill.

Technology

No technology implication is anticipated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department Of Insurance, 466 Office Of Consumer Credit Commissioner

LBB Staff: JK, JRO, RT, RB