

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 9, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB14 by Jackson (relating to the regulation of residential property and commercial and personal automobile insurance; providing a criminal penalty.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB14, Committee Report 2nd House, Substituted: 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.

According to the Comptroller of Public Accounts, the bill would not significantly change the amount of insurance premium taxes. To the extent that the provisions of this bill are effective in restraining unfair or unwarranted premium increases, it would exert some downward pressure on premium tax collections. However, to the extent that its provisions are equally effective in promoting insurance availability, it would encourage premium and premium tax growth.

General Revenue-Related Funds, Five-Year Impact:

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

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>DEPT INS OPERATING</i> <i>ACCT</i> 36	Probable Savings/(Cost) from <i>DEPT INS OPERATING</i> <i>ACCT</i> 36	Change in Number of State Employees from FY 2003
2004	\$829,929	(\$829,929)	13.0
2005	\$768,660	(\$768,660)	13.0
2006	\$768,660	(\$768,660)	13.0
2007	\$742,269	(\$742,269)	12.0
2008	\$742,269	(\$742,269)	12.0

Fiscal Analysis

The bill would amend the existing benchmark system for all residential property and personal automobile insurance. The bill would define insurers as all authorized entities including Lloyds,

county mutuals, etc. and authorized affiliates described under Section 823.003 (a) of the Insurance Code, but would not include a farm mutual insurance company. The bill would specify that the term insurer does not include Texas Windstorm Insurance Association, FAIR Plan Association or Texas Automobile Insurance Plan Association.

The bill would require insurers to file with the Department of Insurance (TDI) all rates, supplementary rating information, reasonable and pertinent supporting information, and all applicable rating plans, discount and surcharge programs, and other similar information used by the insurer to determine the insured's premium within 20 days of posting of rating criteria by TDI. TDI would have 10 days after the effective date of the bill to make the posting. Although the rates would take effect within 10 days of the filing, TDI would have 120 days to review a filing for disapproval. Insurers would be able to appeal disapprovals to district court or for binding arbitration.

In subsequent filings, insurers would be able to file and use rates with provision for the department to disapprove rates in use if they do not meet the requirement that rates be just, reasonable, adequate, and not excessive.

The bill would limit or restrict the use of credit scores that may be used in whole or in part by insurers. The bill would provide for consumer disclosures and rights relating to the use of credit scores.

The bill would require insurers to file underwriting guidelines, including any updates, for personal automobile and residential property insurance with TDI.

The bill would take effect immediately if passed by at least a two-thirds majority on a record vote in both houses; otherwise, it would take effect on September 1, 2003.

Methodology

In order to absorb increased workloads related to the bill, the Department of Insurance indicates it would require an additional \$829,929 and 13 FTEs in 2004, \$768,660 and 13 FTEs each year in 2005-06, and \$742,269 and 12 FTEs each year in 2007-08.

Technology

The Department of Insurance would require an additional \$23,166 in 2004 for computers and related equipment for the additional FTEs.

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