

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 15, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB127 by Fraser (relating to the handling, settling, and use of certain claims in the insurance business; providing penalties.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB127, 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.

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 ACCT</i> 36
2004	\$62,500
2005	\$62,500
2006	\$62,500
2007	\$62,500
2008	\$62,500

Fiscal Analysis

The bill would create a new license for Public Adjusters, establishing an examination requirement for the license and creating an advisory board at the Texas Department of Insurance.

The bill would also change the definition of unfair methods of competition and unfair and deceptive acts or practices in the business of insurance.

Methodology

The bill would generate revenue from the initial licensing of public adjusters and biennial renewals of licenses. The Texas Department of Insurance anticipates 1,250 public adjusters would be licensed each year. The projected annual revenue from licensing and renewing public adjusters licenses would be

\$62,500 for the \$50 two-year license. The bill directs fees from the licenses be deposited to the Texas Department of Insurance Operating Fund.

The agency contracts with an external vendor to administer all agent and adjuster licensing examinations. The contract provides for the vendor to administer any new license exams required by legislation during the life of the contract. The agency would add the public adjuster license examination to the existing contract.

The agency indicates it can absorb the workload of criminal history reviews and other manual application and renewal tasks for the public adjuster licenses within existing resources.

The agency indicates it can absorb the workload related to changes in the definition of unfair methods of competition and unfair and deceptive acts or practices in the business of insurance within existing resources.

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