

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 17, 2005

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

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB998 by Eiland (Relating to insurance market conduct surveillance; imposing sanctions.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB998, As Introduced: a positive impact of \$256,302 through the biennium ending August 31, 2007.

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
2006	\$132,487
2007	\$123,815
2008	\$123,815
2009	\$123,815
2010	\$123,815

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from INSURANCE MAINT TAX FEES 8042
2006	\$132,487
2007	\$123,815
2008	\$123,815
2009	\$123,815
2010	\$123,815

Fiscal Year	Change in Number of State Employees from FY 2005
2006	2.0
2007	2.0
2008	2.0
2009	2.0
2010	2.0

Fiscal Analysis

The bill would amend the Insurance Code relating to insurance market conduct surveillance, imposing

sanctions. This bill codifies how the Texas Department of Insurance (TDI) performs its market conduct oversight function. It authorizes TDI to contract with personnel to perform various activities including examinations and market conduct surveillance. Procedures for contacting carriers, billing them for expenses, developing reports, and obtaining insurer comments on those reports are addressed. The Commissioner would be required to send insurers, at least annually, an update regarding new laws, rules, enforcement actions. The Commissioner would also be required to designate a staff person as the point of contact for employees of regulated entities to report violations by their employers. The bill authorizes the Commissioner to impose sanctions for violations detected through market conduct oversight.

This bill would take effect September 1, 2005.

Methodology

The Department of Insurance estimates that the Financial Analysis Market Conduct Examinations Division will require two entry-level Financial Examiner III's (Pay Group B11) to conduct the additional market conduct analysis work required by enactment of this bill. The cost for implementing the provisions of this bill is estimated to be \$132,487 in FY 2006. Financial Examiner III = \$74,664 (2 FTEs at \$37,332), travel = \$19,662, rent = \$3,304, equipment = \$8,672, telephone = \$3,356, supplies = \$624, and employee benefits for 2.0 FTEs = \$22,205 for a total of \$132,487 for fiscal year 2006. In FY 2007-2010 there would be a cost of \$123,815 which includes the following costs: Financial Examiner III = \$74,664 (2FTEs), travel = \$19,662, rent = \$3,304, telephone = \$3,356, supplies = \$624, and employee benefits for 2.0 FTEs = \$22,205 for a total of \$123,815 for fiscal years 2007-2010.

Each new Financial Examiner III would review and complete market conduct analyses on approximately 50 insurers per year, and complete approximately 10 desk examinations which are more targeted and limited in scope and oriented towards those companies which generally have more substantial regulatory concerns based on the market conduct analyses.

Technology

The Department of Insurance estimates that desktop computers for two (2) Financial Examiner III's (Pay Group B11) will be needed to complete market conduct analyses and desk exams. Additional TeamMate software licenses will also need to be purchased. The technology impact cost will be \$3,124.00 in FY 2006. It is assumed that costs associated with implementing the provisions of this bill can be absorbed within the agency's current resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: JOB, JRO, MW, NV