

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**April 19, 2005**

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

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

**IN RE: HB2822** by Rose (Relating to the regulation of personal automobile insurance and residential property insurance in this state.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2822, As Introduced: a negative impact of (\$410,000) 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2006	(\$410,000)
2007	\$0
2008	(\$150,000)
2009	\$0
2010	(\$150,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable (Cost) from GENERAL REVENUE FUND 1</b>	<b>Probable (Cost) from INSURANCE MAINT TAX FEES 8042</b>
2006	(\$150,000)	(\$260,000)
2007	\$0	\$0
2008	(\$150,000)	\$0
2009	\$0	\$0
2010	(\$150,000)	\$0

**Fiscal Analysis**

The bill would amend the Insurance Code relating to the regulation of personal automobile insurance and residential property insurance in this state. This bill includes a provision requiring all insurers writing residential property or personal automobile insurance to file rates with the Texas Department of Insurance within 20 days of the September 1, 2005, effective date. Filings must be reviewed by actuarial staff for completeness and any requests for additional information sent out within 10 days of receipt of the filing. No later than 30 days after receipt of each filing, each filing must be approved or disapproved. If a filing is disapproved, an order specifying the reasons for the disapproval must be issued and a hearing scheduled.

This bill would take effect September 1, 2005.

## **Methodology**

For fiscal year 2006, the Department of Insurance (TDI) estimates a one time consulting actuarial expense of \$100,000 in additional professional fees will be needed for residential property filings and \$160,000 would be needed for personal automobile rate filings. TDI anticipates receiving 60 percent more auto rate filings (800) and residential property filings (500). Based on the analysis of TDI, it is assumed that any additional workload/costs resulting from the passage of the bill could be reasonably absorbed within current resources.

Beginning in fiscal year 2006, the Office of Public Insurance Counsel estimates an additional \$150,000 for expert witness fees each year in which a benchmark rate hearing is held for expert witness. The benchmark rate and flex bands would be in effect for a two-year period starting on September 1 of each odd-numbered year.

## **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:** JOB, JRO, MW, NV