LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 23, 2007

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

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

IN RE: **SB1263** by Brimer (Relating to regulation and licensing of certain insurance agents.), **Committee Report 2nd House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend the Insurance Code to add a new "Personal Lines Property and Casualty Agent" license and a new "Life Agent" license. The Texas Department of Insurance (TDI) has authority to collect license application fees for these two new licenses under current law.

Based on the analysis of TDI, it is assumed TDI would not incur any costs as a result of the provisions of the bill. Because TDI contracts with an external vendor to administer license examinations and process license applications, it is assumed that any duties and responsibilities associated with the bill could be absorbed within existing resources.

It is assumed that the bill would result in additional revenue from licensing fees. Based on TDI's analysis of data from other states, it is assumed the volume of Life Agent license activity would be 5.6 percent of the volume of Texas General Lines Life, Accident and Health and that the volume of Personal Lines Property and Casualty Agent license activity would be 16.6 percent of the volume of Texas General Lines Property and Casualty. It is assumed that for the Life Agent license there would be 4,614 new applications each year in fiscal years 2008 and 2009 and 1,402 new applications and 3,221 renewals each year beginning in fiscal year 2010. It is assumed for the Personal Lines Property and Casualty Agent license there would be 8,141 new applications each year in fiscal years 2008 and 2009 and 2,594 new applications and 5,738 renewals each year beginning in fiscal year 2010. It is assumed the cost per licensee for new and renewal applications for both new licenses would be $50.

Under these assumptions there would be a revenue gain of $637,750 in fiscal years 2008 and 2009 and $647,750 in subsequent years in the General Revenue Dedicated Account Fund 36. Since General Revenue Dedicated Account Fund 36 is a self-leveling account, this analysis assumes all revenue generated would go toward fund balances or the maintenance tax would be set to recover a lower level of revenue the following year.

The bill would take effect September 1, 2007.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: JOB, JRO, MW, SK