

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 12, 2009

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

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

IN RE: SB350 by Shapleigh (Relating to the application for and continuation of certain health benefit plan coverage; providing a civil penalty.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend the Insurance Code to require a life accident or health insurance agent who assists a person in submitting an application to a health benefit plan to take certain steps to ensure that the applicant provides accurate and complete answers to health questions. The bill would authorize the Office of the Attorney General (OAG) or a county or district attorney to bring an action to recover a civil penalty of up to \$10,000 if an agent knowingly assists the applicant in providing false information.

Based on analysis by the Texas Department of Insurance (TDI), it is assumed that there would be a one-time revenue gain of \$11,500 in the General Revenue Dedicated Account Fund 36 in fiscal year 2010 because the bill would result in additional form and application filings. 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. It is also assumed that any costs realized by TDI from implementing the provisions of the bill could be absorbed within existing resources.

Based on analysis provided by the OAG, the proposed legislation will not likely result in new complaints, investigations or cases by the OAG and therefore has no fiscal impact on the agency.

Local Government Impact

The bill would permit a county or district attorney to bring an action against an insurance agent who knowingly provides false information on an application to recover a civil penalty in an amount not to exceed \$10,000. The local government or governments that first initiate the suit would be allowed to retain 50 percent of the amount recovered to be deposited in the local general revenue fund. The amount of revenue gain to a local government would depend on the number of suits that are initiated, and the amount recovered in a suit; however, those amounts are not anticipated to be significant.

Source Agencies: 454 Department of Insurance, 302 Office of the Attorney General

LBB Staff: JOB, KJG, CH, TP