LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 19, 2009

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

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

IN RE: **SB1007** by Hegar (Relating to the continuation and operation of the Texas Department of Insurance and the operation of certain insurance programs; imposing administrative penalties.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1007, Committee Report 2nd House, Substituted: an impact of $0 through the biennium ending August 31, 2011.

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
2010	$0
2011	$0
2012	$0
2013	$0
2014	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from *Dept Ins Operating Acct* 36	Probable Revenue (Loss) from *Dept Ins Operating Acct* 36	Probable Savings from *Insurance Maint Tax Fees* 8042	Probable Revenue (Loss) from *Insurance Maint Tax Fees* 8042
2010	$1,000,000	($1,000,000)	$610,740	($610,740)
2011	$1,000,000	($1,000,000)	$610,740	($610,740)
2012	$1,000,000	($1,000,000)	$610,740	($610,740)
2013	$1,000,000	($1,000,000)	$610,740	($610,740)
2014	$1,000,000	($1,000,000)	$610,740	($610,740)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	(28.0)
2011	(28.0)
2012	(28.0)
2013	(28.0)
2014	(28.0)

Fiscal Analysis

The bill would amend the Insurance Code relating to the operations of the Texas Department of Insurance (TDI) and continue the agency until September 1, 2015.

The bill would require TDI to develop a policy that encourages the use of negotiated rulemaking and alternative dispute resolution (ADR), as well as designate a trained person to coordinate the TDI's ADR efforts. The bill would require TDI to issue certificates of authority to preferred provider organizations (PPOs) operating in Texas and authorizes TDI to charge a fee for the application. Additionally, the bill would require TDI to collect and publish certain information relating to the processing of personal automobile and residential property claims, to review personal automobile and residential property rates to determine if the rate is excessive, and to regularly examine title agents.

The bill would set a 30-day time limit for TDI to review a property and casualty insurance rate under the file-and-use system. The bill would expand the responsibilities of the State Fire Marshal's Office (SFMO), housed at TDI, and authorize the SFMO to charge a fee for inspections of privately owned buildings. The bill would require insurance companies to file information with TDI regarding data mining and requires TDI to produce a report to the legislature regarding this information. Based on the analysis by the Sunset Commission and TDI, the costs of implementing these provisions of the bill, listed above, could be absorbed within existing resources.

The bill would change the windstorm inspection program at TDI to a contracting process and would remove TDI's authority to employ windstorm inspectors. The change in this program would result in a reduction of $1,610,740, due to staffing reductions of 28 full-time-equivalent positions (FTEs) and the elimination of the windstorm field offices. This program is partially funded from approximately $1 million deposited in Fund 36 annually in investment income from the Catastrophe Reserve Trust Fund (CRTF) to subsidize inspections. The bill would eliminate the transfer, leaving the funding in the CRTF. The bill would require the the windstorm inspectors be paid through inspection fees.

The bill would take effect on September 1, 2009.

Methodology

Based on analysis from the Sunset Advisory Commission and TDI, the reduction of 28 FTEs in fiscal year (FY) 2010-2014 would decrease costs to TDI in the amount of $1,297,573 for salaries and associated costs. Additionally, the reduction in FTEs would decrease benefits costs to the state by $313,167 in FY 2010 to FY2014.

Since TDI is required to generate revenues equivalent to its costs of operation under current law, this analysis assumes that any savings realized would remain in the fund or the maintenance tax would be set to recover a lower level of revenue the following year.

Technology

No technology impact is anticipated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 454 Department of Insurance

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