

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 27, 2011

TO: Honorable David Dewhurst, Lieutenant Governor, Senate
Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: HB1951 by Taylor, Larry (Relating to the continuation and operation of the Texas Department of Insurance and the operation of certain insurance programs; imposing administrative penalties.), **Conference Committee Report**

No significant fiscal implication to the State is anticipated.

The bill would amend the Insurance Code relating to the continuation and operation of the Texas Department of Insurance (TDI) and the operation of certain insurance programs; imposing administrative penalties. TDI is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. The bill would continue TDI for 12 years and would take effect on September 1, 2011.

The bill would eliminate certain advisory committees in statute, and require TDI to ensure that agency-created advisory committees meet standard criteria. The bill would require HMO's, accident and health insurance companies, and companies providing insurance to small business to send a 60-day notice before a rate increase and the actual dollar amount of the increase, and would set a 30-day time limit for the Department to review and administratively disapprove a property and casualty insurance rate under the file-and-use system.

The bill would require the Commissioner to assess what information is needed to promulgate title insurance rates every five years and would clarify provisions in the Insurance Code to clearly permit the use of electronic commerce transactions.

The bill would require TDI to develop and implement a plan to collect from insurers and publish certain information relating to the processing of personal automobile and residential property claims, and to adopt rules relating to individual health coverage for children.

The bill would require TDI to determine, at least every six years, which areas of the state should be designated as underserved and to study the accuracy of current designations for the purpose of increasing access to insurance in those areas. Additionally, the bill would create a Public Insurance Adjusters advisory board.

The bill would prohibit insurance companies from reporting claims to a database until the claim has been filed. The bill would prohibit managed care plans from requiring that therapeutic optometrists or ophthalmologists participate in a payment plan that they do not wish to participate in. The bill would increase liability on surety bonds from \$100,000 to \$1 million for requiring reinsurance. The bill would amend the entrance exam and hours of instruction requirements for residential fire alarm technicians.

The bill would authorize the State Fire Marshal's Office (SFMO), housed at TDI, to charge a fee for inspections of privately owned buildings. The bill would require the SFMO to periodically inspect state-leased buildings and requires the SFMO to create a risk-based approach to conducting its routine inspections of state buildings. Article 4 would require the Commissioner of Insurance to establish a penalty matrix for violations by SFMO licensees, and to delegate administration of these penalties to

the SFMO.

This analysis assumes that costs related to implementing this provision would be revenue neutral. It is assumed that authorizing the SFMO to institute a fee for conducting inspections of privately owned buildings would result in a gain in revenue and it is also assumed that this gain would offset the SFMO's costs in providing the inspections and that the revenue would be redirected to those functions. The gain could not be estimated as it is dependent upon the fee level which would be determined by the SFMO and the number of requests that would be realized once the SFMO charges for this service. Since General Revenue-Dedicated Texas Department of Insurance Fund 36 is a self-leveling account, this analysis also assumes that any additional revenue resulting from the implementation of the bill would accumulate in the account fund balances and that the department would adjust the assessment of the maintenance tax or other fees accordingly in the following year. The bill would require the SFMO to periodically inspect state-leased buildings and requires the SFMO to create a risk-based approach to conducting its routine inspections of state buildings.

Based on the analysis provided by the Sunset Advisory Commission and the Texas Department of Insurance, implementation of this bill will have no fiscal impact.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

LBB Staff: JOB, CH, KM, SD, MW