

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 21, 2011

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: HB3410 by Smithee (Relating to the managing underwriters for surplus lines insurance transactions and to the collection of surplus lines insurance premium taxes for those transactions.), **As Passed 2nd House**

There is an indeterminate fiscal impact to the state from the provisions of this bill because of the potential change in premium tax revenue cannot be determined.

The bill would amend the Insurance Code relating to the managing underwriters for surplus lines insurance transactions and to the collection of surplus lines insurance premium taxes for those transactions. The bill would require that a surplus lines agent that places a policy with a managing underwriter collect, report, and pay the premium tax due on that policy, and would require that the managing underwriter maintain and make available for inspection by the Department of Insurance and the Comptroller's Office certain records. The bill would take effect January 1, 2012.

Based on the analysis provided by the Texas Department of Insurance, it is assumed that all duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing agency resources.

Based on the analysis provided by the Comptroller, the bill's fiscal impact cannot be determined. This bill would change how the agent of record is determined for purposes of reporting and paying premium tax due on certain surplus lines transactions. This change would alter the Comptroller's audit process in that more entities would be subject to audit with total less premium per entity. From calendar 2008 to 2010 the Comptroller assessed more than \$8,542,000 in additional surplus lines premium tax, not including interest and penalties.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance

LBB Staff: JOB, AG, KJG, MW, CH