

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 4, 2011

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

IN RE: SB1213 by Carona (Relating to consumer protections in the purchase of life settlement contracts; imposing penalties.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1213, Committee Report 1st House, Substituted: a positive impact of \$52,500 through the biennium ending August 31, 2013.

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
2012	\$52,500
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Dept Ins Operating</i> <i>Acct</i> 36	Probable Savings/ (Cost) from <i>Dept Ins Operating</i> <i>Acct</i> 36	Probable Revenue Gain/(Loss) from <i>Insurance Maint Tax</i> <i>Fees</i> 8042
2012	\$52,500	\$53,600	(\$53,600)	\$196,537
2013	\$0	\$0	\$0	\$232,486
2014	\$0	\$0	\$0	\$232,486
2015	\$0	\$0	\$0	\$232,486
2016	\$0	\$0	\$0	\$232,486

Fiscal Year	Probable Savings/ (Cost) from <i>Insurance Maint Tax</i> <i>Fees</i> 8042	Change in Number of State Employees from FY 2011
2012	(\$196,537)	3.0
2013	(\$232,486)	3.0
2014	(\$232,486)	3.0
2015	(\$232,486)	3.0
2016	(\$232,486)	3.0

Fiscal Analysis

The bill would amend the Insurance Code relating to consumer protections in the purchase of life settlement contracts and imposing penalties. The bill would require the Texas Department of Insurance (TDI) to review antifraud plans that will be filed with the Commissioner and make recommendations on those plans. The bill would authorize TDI to investigate a suspected fraudulent life settlement act, investigate a person engaged in the business of life settlements, and imposes criminal and administrative sanctions for violations. The bill would require persons and entities to file suspected fraud reports to TDI to process and investigate any crimes or violations. The bill would require TDI to investigate the potential criminal violation and prepare the case for criminal prosecution if needed. The bill would authorize TDI to conduct examinations of entities involved in the viatical settlement business.

This bill would take effect on September 1, 2011.

Methodology

Based on the analysis provided by TDI, implementation of the bill would expand the duties and increase the workload of TDI's fraud unit and financial examination division. The agency indicates that implementation of this bill would require 2.0 additional full-time-equivalent positions (FTEs) in the fraud unit and 1.0 additional FTEs in the financial division. Each year the 3.0 FTEs would cost \$166,206 in salaries and wages, \$46,305 in benefit costs, \$13,300 in travel, \$5,850 for telephones and consumables, and \$825 in other operating expenses. One-time equipment and other operating expenses expenditures are anticipated to be \$17,651 in fiscal year 2012.

Based on the information provided by TDI, this analysis assumes that implementation of the bill would result in a one-time revenue gain (\$53,600 in fiscal year 2012) in General Revenue-Dedicated Texas Department of Insurance Fund 36 (GR-D Fund 36) from filing fees and a one-time revenue gain (\$52,500 in fiscal year 2012) in General Revenue from assessed penalties. It is assumed that the gain to GR-D Fund 36 would partially fund the cost of the FTEs in fiscal year 2012. It is assumed that the remaining cost of the FTEs would be funded from General Revenue – Insurance Maintenance Tax and Insurance Department Fees. Since insurance maintenance tax is self-leveling, this analysis assumes that the costs to implement this bill would come from fund balances or the maintenance tax would be set to recover a higher level of revenue.

Technology

The bill is anticipated to have a technology impact of \$2,825 in fiscal year 2012.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: JOB, KJG, MW, CH