

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 8, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2732 by Workman (Relating to the authorization, regulation, and function of dedicated personal insurers; creating offenses; imposing a fee.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2732, As Introduced: a positive impact of \$150,000 through the biennium ending August 31, 2015.

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
2014	\$75,000
2015	\$75,000
2016	\$75,000
2017	\$75,000
2018	\$75,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from Insurance Maint Tax Fees 8042	Probable Savings/(Cost) from Insurance Maint Tax Fees 8042	Change in Number of State Employees from FY 2013
2014	\$75,000	\$438,326	(\$438,326)	7.0
2015	\$75,000	\$405,388	(\$405,388)	7.0
2016	\$75,000	\$405,388	(\$405,388)	7.0
2017	\$75,000	\$405,388	(\$405,388)	7.0
2018	\$75,000	\$405,388	(\$405,388)	7.0

Fiscal Analysis

The bill would amend the Insurance Code relating to the authorization, regulation, and function of

dedicated personal insurers; the bill would create offenses and impose a fee. The bill would allow an entity satisfying designated requirements to apply to the Texas Department of Insurance (TDI) for a limited certificate of authority as a dedicated personal insurer. The bill would require a dedicated personal insurer to be related to a designated insurable individual as outlined in the bill, and maintain capital amounts depending on the type of insurance issued. The bill would also require applicants to pay a \$20 filing fee, and renew a limited certificate of authority annually. The bill would provide for certain criminal penalties if an applicant for a limited certificate of authority, as a dedicated personal insurer, makes a false or fraudulent statement in reference to their application.

The bill would take effect September 1, 2013.

Methodology

Based on information provided by the TDI, this analysis assumes that approximately 3,750 individuals would apply for a limited certificate of authority as a dedicated personal insurer. Absent any language in the bill directing revenues collected from application fees, this analysis assumes the fees would be deposited to the credit of the General Revenue Fund. Given the mandatory \$20 filing fee, the bill would result in a \$75,000 gain to the General Revenue Fund each fiscal year.

Additionally, it is assumed that a cost of \$438,326 in General Revenue-Maintenance Tax funds would be required in fiscal year 2014 for 7.0 new Full-time Equivalent (FTE) positions and related costs, including one-time equipment and technology costs. In fiscal years 2015-2018, the amount required for the 7.0 FTE positions and related costs is estimated to be \$405,388 in General Revenue-Maintenance Tax funds. For the purposes of this analysis, it is assumed that any cost in General Revenue-Maintenance Tax funds for implementing the provisions of this bill would be offset by an adjustment of equal amount on the assessment of the maintenance tax or other fees accordingly in the following year as reflected in the table above.

Technology

Based on information provided by TDI, it is estimated that \$8,575 in technology equipment will be required in fiscal year 2014 to implement the provisions of the bill.

Local Government Impact

The bill creates a misdemeanor that is punishable by a fine of not more than \$500, jail confinement for a term not longer than 180 days, or both. Costs associated with enforcement and prosecution could likely be absorbed within existing resources. Increased revenue from new fines imposed and collected is not anticipated to have a significant fiscal impact.

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

LBB Staff: UP, AG, MW, ER, LXH