

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 21, 2015

TO: Honorable John Frullo, Chair, House Committee on Insurance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1732** by Smithee (Relating to dispute resolution for certain claims arising under insurance policies issued by the Fair Access to Insurance Requirements (FAIR) Plan Association; authorizing fees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1732, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

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
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2016	\$97,480	(\$97,480)
2017	\$95,730	(\$95,730)
2018	\$95,730	(\$95,730)
2019	\$95,730	(\$95,730)
2020	\$95,730	(\$95,730)

Fiscal Year	Change in Number of State Employees from FY 2015
2016	1.0
2017	1.0
2018	1.0
2019	1.0
2020	1.0

Fiscal Analysis

The bill would amend the Insurance Code relating to dispute resolution for certain claims arising under insurance policies issued by the Fair Access to Insurance Requirements (FAIR) Plan Association; authorizing fees.

The bill would require the Texas Department of Insurance (TDI) to establish an ombudsman program to provide information and educational programs to assist persons insured by the FAIR plan with claim processing. TDI would prepare and submit to the Commissioner of Insurance (Commissioner) a budget for the ombudsman program, including approval of all expenditures incurred in administering and operating the program. The Commissioner would then modify and/or adopt the budget no later than April 1 of the year in which the budget is submitted. No later than May 1 of each year, the FAIR Plan Association would transfer to the ombudsman program an amount equal to the budget adopted by the Commissioner.

This bill would take effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If the bill does not receive the vote necessary for immediate effect, it would take effect September 1, 2015.

Methodology

Based on information provided by TDI, the cost to administer the ombudsman program would total approximately \$97,000 in fiscal year 2016 and \$96,000 in each subsequent fiscal year, as well as 1.0 additional FTE each year. This analysis assumes that TDI would be granted appropriation authority to expend the funds transferred by the FAIR Plan Association to TDI for the administration of the ombudsman program. However, if TDI is not granted appropriation authority to expend the funds from the FAIR Plan Association, it is assumed that costs for administering the ombudsman program would be absorbed by the agency's General Revenue-Dedicated Fund 36 appropriations and that the funds transferred from the FAIR Plan Association would be deposited to the credit of General Revenue.

This legislation would create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Technology

TDI estimates technology costs of \$2,750 in fiscal year 2016 and \$1,000 each subsequent fiscal year thereafter.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: UP, AG, NV, ER, NHe