LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 20, 2017

TO: Honorable Larry Phillips, Chair, House Committee on Insurance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB879** by Turner (Relating to prior approval of certain residential property insurance rates of certain insurers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB879, As Introduced: an impact of $0 through the biennium ending August 31, 2019.

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
2018	$0
2019	$0
2020	$0
2021	$0
2022	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *Insurance Maint Tax Fees* 8042	Probable Revenue Gain from *Insurance Maint Tax Fees* 8042
2018	($234,804)	$234,804
2019	($232,804)	$232,804
2020	($232,804)	$232,804
2021	($232,804)	$232,804
2022	($232,804)	$232,804

Fiscal Analysis

The bill would amend the Insurance Code relating to prior approval of certain residential property insurance rates of certain insurers.

The bill would require rate filings on residential property insurance for any rate more than 105 percent of a rate used by the insurer for the same insurance in the previous 12-month period. The bill requires the Texas Department of Insurance (TDI) to approve or disapprove the rate within 90 days after the date the rate is filed. If a rate filing is not approved or disapproved within 90 days, then the rate is considered disapproved.

The bill would take effect on September 1, 2017; however, the provisions of the bill would only apply to a residential property insurance rate that is delivered, issued for delivery, or renewed on or after January 1, 2018.

Methodology

Based on information provided by TDI, the agency receives approximately 230 rate filings for residential property insurance each year and completes approximately 161 of these filings within 90 days. It is estimated that implementing the provisions of the bill would result in the need to complete 45-50 additional rate filings to ensure all filings impacted by this bill are completed within 90 days.

TDI assumes that it would require 2.0 additional Full-Time-Equivalent (FTE) positions per year to handle the increased workload and complete these rate filings within 90 days. The agency estimates that the 2.0 FTEs would require recurring costs to General Revenue - Insurance Companies Maintenance Tax and Insurance Department Fees of $166,596 in salaries and $58,509 in related benefit costs each fiscal year. Additional program costs include a one-time cost of $2,000 for a computer and related software, and recurring costs of $7,699 for other related operating expenses.

Due to the self-leveling nature of the TDI operating fund, this analysis assumes that TDI would adjust the assessment of the maintenance tax to account for any additional costs resulting from the implementation of the bill.

Technology

TDI estimates a one-time technology cost of $2,000 in fiscal year 2018 related to the purchase of a computer and related software for the new FTEs required to implement the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: UP, AG, EH, CP