

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 24, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3465 by Davis, Yvonne (Relating to an annual earnings and profit report by certain insurance companies and the issuance of a rebate to certain policyholders.), **As Introduced**

Depending on whether or not the rebates outlined in the bill would be subject to the insurance premium tax, there could be an indeterminate loss of state tax revenue.

The bill would amend the Insurance Code relating to an annual earnings and profit report by certain insurance companies and the issuance of a rebate to certain policyholders. If an insurer's reported profit from personal automobile insurance or residential property insurance exceeds the previous years' profit by 10 percent or more, the insurer would issue a rebate to policy holders in the amount of that excess. A policyholder's rebate amount would be between 5 and 10 percent of the policyholder's annual premium, except that the total amount rebated would not have to be greater than the amount by which the insurers profit exceeds the previous years profit by more than 10 percent.

The bill does not specify whether the rebates to policyholders would be subject to the insurance premium and maintenance taxes. For purposes of illustration and using data from tax years 2014 and 2015, under the provisions of the bill residential property insurers would have been required to rebate \$121 million to policy holders in fiscal 2016. If those rebates had not been included in taxable premiums, premium tax collections would have been reduced by \$1.9 million in that year. In addition, private passenger automobile liability insurers would have been required to rebate \$79 million in 2016. If those rebates had not been included in taxable premiums, premium tax collections would have been reduced by \$1.3 million in that year.

Based on information provided by the Texas Department of Insurance, this analysis assumes that the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

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: UP, AG, SD, CP, KK