

BILL ANALYSIS

S.B. 1554
By: Eltife
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties note that legislation revising the framework for regulating rates that insurers charge consumers for personal lines of insurance, which includes automobile and homeowners insurance, replaced the promulgated rate for such policies with a file-and-use system that allows insurers to charge new rates without prior approval from the commissioner of insurance. However, as the parties point out, insurers are still required to submit rates and supporting statistical information to the Texas Department of Insurance (TDI) so that TDI can review them for compliance with applicable statutory provisions. Moreover, the parties maintain that the legislation also required the commissioner to annually compute and publish a statewide standard rate index for personal auto insurance, which theoretically allows comparisons of an insurer's rate to the rate index. There are concerns, however, that since that legislation also allowed insurers to file their own rating plans, it is now difficult to provide a meaningful comparison for rates via the auto index because the market has changed and the overall usefulness of the rate index has diminished. S.B. 1554 seeks to revise the regulation of rates for certain personal automobile insurance in recognition of the rate index's relative lack of utility.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTION 3 of this bill.

ANALYSIS

S.B. 1554 repeals Insurance Code provisions relating to the commissioner of insurance's annual computation and publication of a statewide standard rate index for personal automobile insurance that accurately reflects the average statewide rates for classification for certain coverages under a personal automobile insurance policy issued by a county mutual insurance company.

S.B. 1554 amends the Insurance Code to expand the definition of "authorized insurer" as it pertains to statutory provisions relating to the Texas Automobile Insurance Plan Association to include a county mutual insurance company, requiring such a county mutual insurance company, as an authorized insurer, to be a member of the association as a condition of the insurer's authority to write automobile liability insurance in Texas.

S.B. 1554 requires the commissioner to determine by rule the information required to be provided in a rate filing for certain personal automobile insurers that, along with the insurer's affiliated companies or group, have less than 3.5 percent of the personal automobile insurance

market in Texas.

S.B. 1554 repeals the following provisions of the Insurance Code:

- Section 2251.201
- Section 2251.202
- Section 2251.203
- Section 2251.204
- the heading to Subchapter E, Chapter 2251.

EFFECTIVE DATE

September 1, 2015.