

SUBJECT: Sixty-day notice of premium rate increase for group insurance policies

COMMITTEE: Insurance — committee substitute recommended

VOTE: 8 ayes — Smithee, Seaman, Bonnen, Eiland, B. Keffer, Taylor, Thompson,
Van Arsdale

0 nays

1 absent — Gallego

WITNESSES: For — Douglas E. Aycock, Texas Association of Insurance and Financial
Advisors; Robert Desmond; Mike Pollard, Texas Association of Life &
Health Insurers

Against — None

BACKGROUND: The 69th Legislature in 1985 enacted a requirement for insurers to give at
least 30 days written notice to policyholders before the effective date of a
premium rate increase on group life, health, or accident insurance. The notice
must include the amount of an increase and its effective date. Such notice also
is required for increases in subscriber charges and service fees under a health
maintenance organization's group policy.

DIGEST: CSHB 508 would amend Insurance Code sec. 3.51-10 to require insurers to
give a minimum of 60 days notice before the effective date of a premium rate
increase on a group policy for health, accident and health, or life, health, and
accident insurance. It also would require a minimum of 60 days notice before
the effective date of a rate increase on a group life insurance policy.

The bill would take effect September 1, 2003, and would apply to an
insurance policy delivered, issued for delivery, or renewed on or after
March 1, 2004.

**SUPPORTERS
SAY:** Premium rates for various group life, health, and accident insurance are not
regulated. In recent years, the market has been restricted with fewer and fewer
choices for employers and other group policyholders. By increasing from 30

to 60 days the required time within which insurers must issue written notice of premium rate increases for group policies, this bill would give agents and employers more time to shop for group insurance options before renewing. It would help employers, particularly small employers, make an orderly, informed approach to difficult decisions about group insurance.

Many insurers already provide notice to group policyholders 45 to 60 days in advance, so placing a 60-day notice requirement in statute would not be an onerous requirement for the insurance industry to meet.

**OPPONENTS
SAY:**

This bill would require insurers to set new rates with less information, such as claims history, on which to base them. Currently, the renewal rates are calculated on 11 months of historical information, which the notice requirements in this bill would reduce to 10 months. With less data for projecting rates, insurers could take a conservative financial approach and offer slightly higher rates than they might have under current law.

NOTES:

CSHB 508 would modify the bill as introduced by applying the language in the bill to insurance policies rather than to an increase in premium rates, subscriber charges, or service fees.

The companion bill, SB 373 by Williams, passed the Senate by voice vote on March 19 and has been referred to the House Insurance Committee.