

SUBJECT: Barring certain insurance providers from raising rates based on an inquiry

COMMITTEE: Insurance — favorable, without amendment

VOTE: 8 ayes — Smithee, Eiland, G. Bonnen, Morrison, Muñoz, Sheets, Taylor, C. Turner

0 nays

1 absent — Creighton

SENATE VOTE: On final passage, April 4 — 31–0, on Local and Uncontested Calendar

WITNESSES: For — (*Registered, but did not testify:* Daniel Gonzalez, Texas Association of Realtors; Lee Loftis, Independent Insurance Agents of Texas; Chelsey Thomas, Texas Association of Realtors; Jay Thompson, Afact; Ware Wendell, Texas Watch)

Against — None

On — J'ne Byckovski, Texas Department of Insurance (*Registered, but did not testify:* Gary Julian, Texas Department of Insurance)

BACKGROUND: Insurance Code, sec. 551.113 prohibits an insurer from considering a customer inquiry as a basis for declining a standard fire, homeowners, or farm and ranch owners insurance policy.

The section defines "customer inquiry" as a telephone call or other communication made to an insurer that does not result in an investigation or claim and that is in regard to the general terms or conditions of or coverage offered under an insurance policy. The term includes a question about the process for filing a claim, and whether a policy will cover a loss, but not a question about specific damage that has occurred and that results in an investigation or claim.

DIGEST: SB 736 would add Insurance Code, ch. 544, subch. L, prohibiting an insurer from:

- using an underwriting guideline based solely on whether a consumer inquiry was made by or on behalf of the applicant or insured; or
- charging a rate that differed from the rate charged to other individuals for the same coverage or increasing a rate charged to an insured based solely on whether a consumer inquiry was made by or on behalf of the applicant or insured party.

The prohibition would cover a standard fire, homeowners, or farm and ranch owners insurance policy.

The bill also would prohibit an insurer — which is defined as any authorized insurer writing property and casualty insurance in this state — from considering a customer inquiry as a basis for nonrenewal or cancellation of an insurance policy.

The bill would take effect September 1, 2013.

**SUPPORTERS
SAY:**

SB 736 would implement an interim recommendation from the Senate Committee on Business and Commerce to prohibit insurers from adjusting rates, canceling, or refusing to issue or renew a homeowners policy based on any consumer inquiry.

The bill stems from a Texas Department of Insurance survey of insurers that revealed some insurer groups use information obtained from customer inquiries to determine a policyholder's rate or premium. The possibility of a customer inquiry being used as sufficient basis to raise a rate is enough to dissuade many customers from contacting their insurance carriers with questions and concerns.

Current law recognizes this issue prohibits an insurer from considering a customer inquiry as a basis for declining certain policies. SB 736 would extend this to include rate decisions. The restriction would not pose an undue burden on insurance companies, which could continue to perform underwriting and conduct investigations and adjust rates accordingly.

**OPPONENTS
SAY:**

Insurance companies need to take into account as much information as possible so that they can accurately assess risk and make business decisions that appropriately distribute and account for the costs of providing insurance. Limiting the types of information that insurance companies can take into account could hinder operations and unfairly shift

premium costs among policyholders.