

BILL ANALYSIS

Senate Research Center
76R5853 DB-D

H.B. 2752
By: Smithee (Sibley)
Economic Development
5/9/1999
Engrossed

DIGEST

Currently, Texas law authorizes an insurer to subscribe to an advisory organization from which it may receive statistical plans, historical data, prospective loss cost, supplementary rating information, policy forms and endorsements, research and performance of inspections, except final rates or recommendations regarding profit or expense provisions, other than loss adjustment expenses. Further premium information is included, but insurers must obtain this information from private vendors and Texas Department of Insurance files. H.B. 2752 would set forth requirements for underwriting and reinsurance advisory organizations.

PURPOSE

As proposed, H.B. 2752 sets forth requirements for underwriting and reinsurance advisory organizations.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1, Article 5.73, Insurance Code, to authorize an insurer transacting business in the state to subscribe to an advisory organization and is permitted to submit to and receive from any advisory organization rates of individuals insurers that are effective at the time the information is submitted or received or that have been effective. Deletes text regarding final rates.

SECTION 2. Amends Section 4A, Article 5.73, Insurance Code, to authorize an advisory organization to file prospective loss costs, supplementary rating information, and policy forms with the commissioner of insurance (commissioner). Authorizes an insurer that subscribes to an advisory organization to use this information and to incorporate the information into the insurer's filings. Provides that a filing made by an advisory organization under this section is subject to the provisions of this code or the other insurance laws of this state governing rate filings. Authorizes a corporation, unincorporated association, partnership, or individual to apply to the commissioner for a license as an advisory organization for the types of insurance the applicant specifies in the application. Requires an applicant to take certain action. Prohibits an insurer from submitting information to or receive information from an advisory organization as described by Section 1 of this article unless the advisory organization holds a license issued under this article. Requires the commissioner to issue a license to an applicant, without regard to the state of domicile or residence of the applicant or the location of the applicant's place of business if the commissioner determines that the applicant is qualified. Requires the commission to grant or deny a license to an applicant on or before the 60th day after the date the commissioner receives the application. Provides that a license issued under this article remains in effect until the commissioner suspends or revokes the license. Deletes text prohibiting an advisory organization from receiving or supplying certain information. Makes conforming changes.

SECTION 3. Amends Section 4B, Article 5.73, Insurance Code, to authorize the commission to review the rate filing of an insurer that relies on the prospective loss costs provided by an advisory organization and to require the insurer to provide the insurer's actual data and loss experience in addition to the information provided by the advisory organization. Deletes text regarding expert evidence.

SECTION 4. Effective date: September 1, 1999. Authorizes an advisory organization that is in existence and operating as an advisory organization on the effective date of this Act to provide information as described by Section 1, Article 5.73, Insurance Code, as amended by this Act, pending issuance or denial of a license under Section 4A, Article 5.73, Insurance Code, as amended by this Act.

SECTION 5. Emergency clause.