

## **BILL ANALYSIS**

Senate Research Center  
76R2988 PB-D

S.B. 121  
By: Lucio  
Economic Development  
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### **DIGEST**

Currently, the underwriting guidelines of an insurer may be reviewed by the Texas Department of Insurance (TDI) and the Office of Public Insurance Counsel (office). According to the Texas Commission on Human Rights (commission), some insurance companies have developed discriminatory underwriting guidelines in selling homeowners insurance policies. S.B. 121 would require insurers to develop standard underwriting guidelines and submit those guidelines to TDI, the commission, and the office for approval.

### **PURPOSE**

As proposed, S.B. 121 requires an insurer to submit its underwriting guidelines for approval to the Texas Department of Insurance, the Office of Public Insurance Counsel, and the Commission on Human Rights.

### **RULEMAKING AUTHORITY**

Rulemaking authority is granted to the commissioner of insurance of the Texas Department of Insurance in SECTION 1 (Section 7, Article 5.36, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 5C, Insurance Code, by adding Article 5.36, as follows:

#### Art. 5.36. USE AND APPROVAL OF CERTAIN UNDERWRITING GUIDELINES

Sec. 1. DEFINITIONS. Defines “insurer” and “underwriting guideline.”

Sec. 2. APPLICATION. Provides that Article 5.36 applies to homeowners, farm owners, and ranch owners holding a standard fire policy for single family homes.

Sec. 3. STANDARDIZATION AND APPROVAL OF UNDERWRITING GUIDELINES. Requires insurers to develop underwriting guidelines specific to Article 5.36 and to submit those guidelines to the Texas Department of Insurance (TDI).

Sec. 4. SUBMISSION TO OFFICE OF PUBLIC INSURANCE COUNSEL AND COMMISSION ON HUMAN RIGHTS. Requires TDI to submit within 10 days after receipt, proposed underwriting guidelines to the Office of Public Insurance Counsel (office) and the Commission on Human Rights (commission). Requires TDI, the office, and the commission to review the underwriting guidelines, determine their approval within 30 days, and notify the affected insurer of the decision. Requires the commissioner of TDI, the office, and the commission to enter into a memorandum of understanding.

Sec. 5. USE OF GUIDELINE BY INSURER; EFFECT OF DISAPPROVAL. Authorizes an insurer to use guidelines specified in Section 4. Entitles an insurer a hearing in the event an insurer’s underwriting guideline is not approved.

Sec. 6. PROHIBITION; VIOLATION. Prohibits an insurer from using underwriting guidelines not approved in this article. Provides that an insurer who violates this section is subject to the procedures and penalties imposed under Article 21.21 of this code.

Sec. 7. Authorizes the TIC commissioner to adopt rules necessary to implement this article.

SECTION 2. Effective date: September 1, 1999.  
Makes application of this Act prospective.

SECTION 3. Emergency clause.