

## **BILL ANALYSIS**

Senate Research Center  
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H.B. 45  
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Engrossed

### **DIGEST AND PURPOSE**

Current law requires an insurer of motor vehicle insurance coverage to offer a time-based rating plan to its customers. However, certain customers such as the elderly and families with more than one motor vehicle could benefit from a mile-based rating plan for motor vehicle insurance coverage in savings from insurance premiums. H.B. 45 authorizes an insurer of motor vehicle insurance coverage to offer a choice between a mile-based rating plan and a time-based rating plan for motor vehicle insurance coverage.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Article 5.01-4, Section 5, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 5A, Insurance Code, by adding Article 5.01-4, as follows:

#### Art. 5.01-4. TIME-BASED AND MILE-BASED RATING PLANS

Sec. 1. DEFINITIONS. Defines “insurer,” “mile-based rating plan,” and “time-based rating plan.”

Sec. 2. ALTERNATIVE RATING PLAN PILOT PROGRAM. (a) Authorizes an insurer that delivers, issues for delivery, or renews a policy of motor vehicle insurance in this state to offer each person who purchases motor vehicle insurance coverage from that insurer a choice between a mile-based rating plan and a time-based rating plan for coverage for losses caused by collision or other driving-related accidents.

(b) Authorizes the insurer to require a person purchasing coverage to use the same rating plan for all vehicles covered under the person's motor vehicle insurance policy.

(c) Requires a motor vehicle insurance policy that uses a mile-based rating plan to provide coverage for a specified period and prohibit it from terminating coverage after a specified number of miles have been driven.

Sec. 3. FILING REQUIRED; RATE REGULATION. (a) Requires each insurer that offers the mile-based rating plan under this article to annually file with the commissioner for the commissioner's approval a schedule of the insurer's premium rates for motor vehicle insurance based on the mile-based rating plan and the time-based rating plan used by that insurer. Requires the insurer to file with the rate schedule a statement of any fee to be charged to policyholders or applicants for insurance for participation in the mile-based rating plan.

(b) Requires the commissioner to analyze the premium rates filed by an insurer under Subsection (a) of this section. Requires the commissioner, if the commissioner

determines that the filed rates are excessive in comparison to the premium rates charged for similar coverage under a time-based rating plan used by the insurer, to reject the rates after notice to the insurer and an opportunity for a hearing. Requires the commissioner to notify the insurer that the rates are rejected not later than the 60th day after the date on which the rates are filed under Subsection (a) of this section. Prohibits an insurer from using rates rejected by the commissioner under this subsection.

(c) Provides that premium rates used by an insurer under the mile-based rating plan adopted under this article are exempt from other rate regulation under this subchapter and the benchmark rates established under Subchapter M of this chapter.

Sec. 4. **APPLICABILITY OF CERTAIN LAWS.** (a) Requires an insurer, in reporting incurred losses and earned premiums as required under this subchapter, Subchapter M of this chapter, or Chapter 17 of this code, to separately report experience based on use of the mile-based rating plan and the time-based rating plan.

(b) Provides that the classifications used by an insurer for motor vehicles insured under the mile-based rating plan are exempt from the provisions of this subchapter other than this article and Subchapter M of this chapter.

Sec. 5. **COMMISSIONER POWERS AND DUTIES; RULES.** (a) Requires the commissioner to take certain actions.

(b) Requires the commissioner to adopt rules as necessary or appropriate to govern the use of a mile-based rating plan under this article, including rules regarding; prepayment arrangements; proof of financial responsibility; auditing of the odometer of a vehicle for the purpose of determining whether coverage is in force and policy forms.

Sec. 6. **EXPIRATION.** Provides that this article expires September 1, 2005.

SECTION 2. Amends Article 5.06, Insurance Code, by amending Sections (9) and (10) and adding Section (11), as follows:

(9) Prohibits an insurance policy or other document evidencing proof of purchase of a personal automobile insurance policy written for a term of less than 30 days if the policy premium is computed using a time-based rating plan, or written for less than 1,000 miles if the policy premium is computed using a mile-based rating plan, from being used to obtain an original or renewal driver's license, an automobile registration or license plates, or a motor vehicle inspection certificate and requires it to contain a specified statement.

(10) Makes a conforming change.

(11) Defines "time-based rating plan" and "mile-based rating plan."

SECTION 3. Amends Section 1, Article 5.101, Insurance Code, as follows:

Sec. 1. New Heading: **PURPOSE; APPLICABILITY.** (c) Provides that, notwithstanding Subsection (a) of this section, this article does not apply to premium rates for motor vehicle insurance computed using a mile-based rating plan under Article 5.01-4 of this code.

SECTION 4. (a) Makes a conforming change.

(b) Requires the commissioner of insurance adopt all rules necessary to implement Article 5.01-4, Insurance Code, as added by this Act, not later than December 31, 2001.

SECTION 5. Effective date: September 1, 2001.