

## **BILL ANALYSIS**

Senate Research Center  
78R13279 AJA-D

C.S.S.B. 113  
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Business & Commerce  
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Committee Report (Substituted)

### **DIGEST AND PURPOSE**

Currently, there are no statutorily mandated or optional premium discounts for homeowners who have been continuously insured by the same insurer for at least three years and who have not filed any homeowners insurance claims during that period. C.S.S.B. 113 provides for a three percent premium discount for such homeowners at the option of the residential property insurer. This bill also provides for additional discounts of one percent for each subsequent year that the policyholder remains with the insurer or an affiliate and has not filed a residential property insurance claim. An insurer that grants the optional discount is not required to provide a premium discount that exceeds 10 percent of the premiums that would otherwise be charged for the insurance policy. The bill authorizes the commissioner of insurance to approve a premium discount that is greater or less than the statutory optional discount if the commissioner determines that the discount is actuarially justified.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Article 5.43, Subchapter C, Chapter 5, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter C, Chapter 5, Insurance Code, by adding Article 5.43 as follows:

Article 5.43. **OPTIONAL PREMIUM DISCOUNT FOR CERTAIN RESIDENTIAL PROPERTY INSURANCE POLICIES.** (a) Defines “affiliate,” “insurer,” and “residential property insurance.”

(b) Authorizes an insurer who issues a residential property insurance policy to provide a discount of not less than three percent in the premiums that would otherwise be charged for the policy to a residential property insurance policyholder who has continuously been with that insurer or an affiliate of that insurer and has not filed a claim during the three years preceding the effective date of the policy. Provides that the discount will increase by one percent for each subsequent year that the policyholder does not file a claim.

(c) Provides that an insurer that provides discount under this Article is not required to provide a discount exceeding ten percent of the premiums that would otherwise be charged for the residential property insurance policy.

(d) Provides that the application of this article applies without regard to whether the policies that continuously covered the policyholder were of a different type of residential property insurance policy from the policy eligible for the discount.

(e) Requires the commissioner of insurance (commissioner) to adopt rules as necessary to implement this article and establish by rule guidelines under which an insurer that provides a discount under this article is required to determine the appropriate discount based on sound actuarial principles. Authorizes the

commissioner to approve a discount filed with the Texas Department of Insurance that is greater or less than the discount specified by this article if the commissioner determines the discount is actuarially justified.

SECTION 2. Requires the commissioner to adopt rules to implement Article 5.43, Insurance Code, as added by this Act as soon as practicable after the effective date of this Act.

SECTION 3. Effective date: upon passage or September 1, 2003.