

BILL ANALYSIS

Senate Research Center

S.B. 310
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DIGEST AND PURPOSE

Currently, insurers writing 95% of residential property insurance in Texas are not rate regulated, and are, therefore, not required to file rate information with the commissioner of insurance. As proposed, S.B. 310 would require on a one-time basis that residential property insurers immediately file rates and supporting data, including current rates and estimated rates for the upcoming six-month period, with the commissioner of insurance for the purpose of preparation of a summary report to be submitted to the 78th Legislature to inform the legislature as to whether the rates are just, adequate, reasonable, not excessive, and not unfairly discriminatory and to assist in the determination of the most effective and efficient regulatory system for homeowners insurance.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 5, Insurance Code, by adding Subchapter P, as follows:

SUBCHAPTER P. FILING OF RESIDENTIAL PROPERTY INSURANCE RATES FOR REPORT TO LEGISLATURE

Art. 5.141. FILING OF RATE INFORMATION; REPORT

Sec. 1. **PURPOSE.** Provides that the purpose of this article is to require on a one-time basis that insurers writing residential property insurance in this state, immediately after the effective date of this article, file rates and supporting data, including current rates and estimated rates for the next six months, with the commissioner of insurance (commissioner) for the purpose of the preparation of a summary report for submission to the 78th Legislature. Requires the report to contain a review of the rates, presented in a manner that protects the identity of the individual insurers, to inform the legislature of the adequacy and reasonableness of the rates and assist the legislature in determining an effective regulatory system.

Sec. 2. **DEFINITIONS.** Defines “insurer,” “residential property insurance,” and “supplementary rating information.”

Sec. 3. **RATE INFORMATION.** (a) Requires insurers to file residential property insurance rates and supporting information with the commissioner in accordance with the requirements determined by the commissioner under this article.

(b) Requires filings made by each insurer to be sufficient to respond to the commissioner’s request for information under this article and to provide certain rates based upon information reasonably known to the insurer at the time of filing.

(c) Requires the insurer to file, as determined by the commissioner under Subsection (e), certain information relating to insurance rates and credit scoring.

(d) Requires the commissioner to determine which insurers are required to file the rating information under this section.

(e) Requires the commissioner to determine the type of information to be included in the filing and the date on which the filing is due.

(f) Authorizes the commissioner to only require one filing of rates and supporting information by an insurer under this section and to require additional information as provided by Section 4 of this article. Requires the commissioner to require the one filing of rates as provided by this section to be made before June 1, 2003.

(g) Requires the commissioner to issue an order specifying the information that insurers must file to comply with this article and the date on which the filing is due.

(h) Provides that the commissioner is not required to hold a hearing before issuing the order required under Subsection (g) of this section.

(i) Requires the commissioner to notify an affected insurer of the order requiring the rate filing information under this section on the day the order is issued.

Sec. 4. **ADDITIONAL INFORMATION.** Authorizes the commissioner, after the initial rate submission under Section 3 of this article, to require an insurer to provide additional, reasonable information for purposes of the clarification or completeness of the initial rate submission.

Sec. 5. **USE OF FILED RATE INFORMATION.** (a) Prohibits rate information filed with the Texas Department of Insurance (TDI) under this article from being used as the basis for a rate hearing or disciplinary action by TDI except for a disciplinary action against an insurer for a violation of a statute that applied to the insurer before the effective date of this article or for a violation under Section 8 of this article.

(b) Provides that information filed with TDI under this article is confidential and not subject to disclosure under Chapter 552, Government Code (Public Information), except that the information may be disclosed as provided by Section 552.008, Government Code, relating to information for legislative purposes. Prohibits the information from being released to the public except in summary form in the report required under Section 6 of this article.

(c) Requires TDI, if information filed with TDI under this article is disclosed as provided by Section 552.008, Government Code (Information for Legislative Purposes), to require the requesting member, agency, or committee of the legislature, and certain employees of the requesting member or entity, to sign a confidentiality agreement that covers the information and requires that certain information not be disclosed under certain conditions.

(d) Provides that Subsection (b) of this section does not preclude the use of information filed under this article as evidence in prosecuting a violation of this code as provided by Subsection (a) of this section. Provides that confidential information that is used in prosecuting a violation is subject to a protective order until all appeals of the case have been exhausted. Provides if an insurer is found, after the exhaustion of all appeals, to have violated this code, a copy of the confidential information used as evidence of the violation is no longer presumed to be confidential.

Sec. 6. REPORT. (a) Requires the commissioner to submit a report to certain persons on the information collected from the filings required under this article. Requires the report to be submitted not later than the 30th day after the effective date of this article.

(b) Requires the report required under this subsection to provide a summary review of certain insurance rates, presented in a manner that protects the identity of individual insurers, to inform and assist the legislature with certain actions.

Sec. 7. APPLICATION OF CERTAIN LAW. Provides that Chapter 40 of this code (Duties of State Office of Administrative Hearings and Commissioner in Certain Proceedings; Rate Setting Proceedings) does not apply to an action of the commissioner under Section 3(g) of this article.

Sec. 8. FAILURE TO COMPLY. Provides that an insurer that fails to comply with any request for information issued by the commissioner under this article is subject, after notice and opportunity for hearing, to sanctions as provided by Chapters 82 (Sanctions) and 84 (Administrative Penalties) of this code.

SECTION 2. Effective date: upon passage or September 1, 2003.