

## **BILL ANALYSIS**

Senate Research Center  
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H.B. 2760  
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Business & Commerce  
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Engrossed

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

County mutuals often write business through managing general agents (MGAs). These MGAs often have individual insurance programs that they market to consumers. The statutes are currently unclear as to whether the rates used by county mutuals should be evaluated at the company level or at the individual program level. In many cases, there can be more than one MGA writing for the same county mutual company, and the rates between them may vary due to different limits or coverages offered or due to differences in operational expenses and reinsurance support. As a practical matter, the different MGAs operate as separate insurance companies today.

H.B. 2760 clarifies that county mutuals' rates will be evaluated and the rating standards will be applied at the program level. H.B. 2760 also set forth guidelines by which an MGA program will be considered independent of other program rates. The MGA must be appointed by a county mutual that historically writes through MGAs at nonstandard rates. This is designed to ensure that the exemption for companies writing at nonstandard rates remains narrow as intended in S.B. 14, enacted by the 78th Legislature, Regular Session, 2003.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 912.002, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 912.002, Insurance Code, by amending Subsection (c) and adding Subsections (c-1) and (c-2), as follows:

(c) Provides that rate regulation for a residential fire and allied lines insurance policy written by a county mutual insurance company is subject to Subchapter U (Rating Territories for Certain Lines), rather than Subchapters Q and U, Chapter 5. Provides that Rate regulation for a personal automobile insurance policy and a residential fire and allied lines insurance policy written by a county mutual insurance company, including a policy written through one of multiple insurance programs marketed or offered to consumers by managing general agents appointed by the same county mutual insurance company, is subject to Article 5.13-2 (Rates and Forms for Certain Property and Casualty Insurance). Requires rates for a program marketed or offered to consumers for personal automobile insurance by a managing general agent appointed by a county mutual insurance company, for the purposes of this subsection, to be considered independently of the other rates for personal automobile insurance of that county mutual insurance company if the county mutual insurance company meets certain criteria.

(c-1) Provides that an independent program of a county mutual insurer described by Subsection (c) is subject to the rate standards of Article 5.13-2.

(c-2) Creates subsection from existing text. Authorizes the commissioner of insurance to adopt rules as necessary to implement Subsections (c) and (c-1), rather than this subsection.

SECTION 2. Makes application of this Act prospective to January 1, 2006.

SECTION 3. Effective date: September 1, 2005.