

## BILL ANALYSIS

Senate Research Center

S.B. 1585  
By: Carona  
Business & Commerce  
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As Filed

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

As proposed, S.B. 1585 allows all insurers (both standard insurers and county mutuals) who write personal automobile policies at nonstandard rates to have separate rating plans for each program that is subject to a separate reinsurance agreement. S.B. 1585 limits these freedoms to insurers who write less than two percent of the state's auto insurance premiums. This limitation will prevent larger insurers from abusing the regulatory freedom found in the nonstandard risk marketplace. Finally, S.B. 1585 caps at five the number of rating plans an insurer is authorized to have. This cap will prevent the unfair discrimination which occurs in rating when an insurer has too many rates, resulting in like customers being charged different amounts for identical risks.

### 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 Sections 13(a) and (f), Article 5.13-2, Insurance Code, as follows:

(a) Provides that this section governs rate regulation of personal automobile insurance issued at nonstandard rates, rather than by a county mutual insurance company, as prescribed by this section.

(f) (1) Authorizes an insurer authorized to write personal automobile insurance to issue personal automobile policies at nonstandard rates. Authorizes any insurer writing personal automobile insurance only at nonstandard rates to have a separate rating plan for each personal automobile insurance program of the insurer that is subject to a separate reinsurance agreement, and prohibits differences in the premium, fees, and rates charged under such rating plans from being considered discriminatory, provided certain conditions are met. Deletes existing text relating to filing requirements for county mutual insurance companies that issue automobile insurance policies only at nonstandard rates.

(2) Creates subdivision from existing text. Includes the provision that all insurers writing personal automobile insurance only at nonstandard rates are subject to the same reduced filing requirements as determined by the commissioner by rule and are not subject to Article 5.01-1 (Premium Rating Plans) or 21.81 (Texas Automobile Insurance Plan Association) of this code. Deletes existing text relating to filing requirements for county mutual insurance companies.

SECTION 2. Repealer: (1) Subsection (g) (authorizing rules to be adopted relating to insurers that historically have served exclusively the high-risk, nonstandard market), Section 13, Article 5.13-2, Insurance Code;

(2) Article 5.01 (Fixing Rate of Automobile Insurance), Insurance Code; and

(3) Article 5.03 (Promulgated Rates as Controlling), Insurance Code.

SECTION 3. Makes application of this Act prospective to January 1, 2006.

SECTION 4. Effective date: September 1, 2005.