

## ANALYSIS

Senate Research Center

S.B. 1655  
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### AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1655 would create new transparency mechanisms designed to make the Texas insurance market more efficient, and to help customers understand, navigate, and find the best deal in the market.

Currently, the Texas Department of Insurance (TDI) has a number of programs in place to help customers shop the insurance market in a way that saves them money. TDI, with the Office of Public Insurance Counsel (OPIC), also has access to information and expertise that could illuminate aspects of the insurance market and provide guidance to policymakers about how to make insurance more efficient, accessible, and affordable for customers.

S.B. 1655 calls for a comprehensive study of the Texas homeowners and automobile insurance markets, looking at a range of factors that include strategies that have the potential to reduce rates over time and in a sustainable way. It requires TDI and insurers to make customers more aware of the state website where customers can compare premiums and coverages of different insurers' policies. S.B. 1655 also requires insurers do more to alert customers to changes in their policies, coverages, and rates.

As proposed, S.B. 1655 amends current law relating to the transparency and propagation of information regarding personal automobile and residential property insurance rates, policies, and complaints.

### RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 3 (Section 32.102, Insurance Code) of this bill.

### SECTION BY SECTION ANALYSIS

SECTION 1. Provides that this Act shall be known as the Texas Insurance Consumer Awareness and Affordability Act.

SECTION 2. Amends Subchapter B, Chapter 32, Insurance Code, by adding Sections 32.024 and 32.025, as follows:

Sec. 32.024. TEXAS RESIDENTIAL PROPERTY INSURANCE STUDY. (a)  
Defines, in this section, "residential property insurance."

(b) Requires the Texas Department of Insurance (TDI) and the office of public insurance counsel (OPIC) to study:

(1) residential property insurance rates in this state;

(2) regulatory changes with the potential to lower residential property insurance rates;

(3) practices by individual companies that have the effect of lowering residential property insurance rates or increasing customer satisfaction;

- (4) other states' laws that have the effect of lowering residential property insurance rates;
- (5) the impact of weather events on residential property insurance rates in this state;
- (6) in an effort to identify practices that lower rates, the similarities and differences between the residential property insurance market and the commercial property insurance market in this state;
- (7) practices that encourage policyholders to shop the market;
- (8) practices that encourage mid-level and small carriers to increase their market share;
- (9) the role of general economic factors such as inflation and changes in the costs of certain products and services in the setting of insurance rates;
- (10) the effects of fraud on insurance rates and strategies to reduce fraud in this state; and
- (11) practices that increase efficiency and decrease administrative costs in the requests for information and data by TDI and the conveyance of information and data by companies.

(c) Requires TDI and OPIC, not later than December 1, 2012, to submit to the governor, the lieutenant governor, the speaker of the house of representatives, and the appropriate standing committees of the legislature a report regarding the results of the study conducted under Subsection (b), together with any recommendations for legislation. Requires TDI and OPIC to list their recommendations separately if joint recommendations cannot be made.

(d) Provides that this section expires January 1, 2013.

Sec. 32.025. TEXAS PERSONAL AUTOMOBILE INSURANCE STUDY. (a) Defines, in this section, "personal automobile insurance."

(b) Requires TDI and OPIC to study:

- (1) personal automobile insurance rates in this state;
- (2) regulatory changes with the potential to lower personal automobile insurance rates;
- (3) practices by individual companies that have the effect of lowering personal automobile insurance rates;
- (4) other states' laws that have the effect of lowering personal automobile insurance rates;
- (5) in an effort to identify practices that lower rates, the similarities and differences between the personal automobile insurance market and the commercial automobile insurance market in this state;
- (6) practices that encourage policyholders to shop the market;
- (7) practices that encourage mid-level and small carriers to increase their market share;

(8) the role of general economic factors such as inflation and changes in the costs of certain products and services in the setting of personal automobile insurance rates;

(9) the effects of fraud on insurance rates and strategies to reduce fraud in this state;

(10) the number of uninsured drivers in this state, the effects they have on personal automobile insurance rates and strategies for reducing the number of uninsured drivers; and

(11) practices that increase efficiency and decrease administrative costs in the requests for information and data by TDI and conveyance of information and data by companies.

(c) Requires TDI and OPIC, not later than December 1, 2012, to submit to the governor, the lieutenant governor, the speaker of the house of representatives, and the appropriate standing committees of the legislature a report regarding the results of the study conducted under Subsection (b), together with any recommendations for legislation. Requires TDI and OPIC to list their recommendations separately if joint recommendations cannot be made.

(d) Provides that this section expires January 1, 2013.

SECTION 3. Amends Section 32.102, Insurance Code, by adding Subsection (d), as follows:

(d) Requires the commissioner of insurance (commissioner) by rule to establish procedures for an insurer to dispute the accuracy of rate information shown for the insurer on the Internet website established under this section and to promptly identify and correct inaccurate information disputed through those procedures.

SECTION 4. Amends Section 32.104, Insurance Code, by amending Subsection (b) and adding Subsections (c) and (d), as follows:

(b) Requires an insurer to provide in a conspicuous manner with each residential property insurance or personal automobile insurance policy issued in this state and on any correspondence sent from the insurer to an insured notice of the Internet website required by this subchapter.

(c) Requires, to the extent possible, an insurance agent who sells a residential property insurance or personal automobile insurance policy in person to, before the policy is sold, have the customer view from the agent's computer the Internet website maintained under this subchapter and the relevant complaint data related to residential property insurance and personal automobile insurance maintained on TDI's website.

(d) Requires an insurance agent who sells a residential property insurance or personal automobile insurance policy over the telephone, to the extent possible, to, before the policy is sold, notify the customer of the website and give the customer the website address.

SECTION 5. Amends Section 521.052, Insurance Code, as follows:

Sec. 521.052. INFORMATION PROVIDED. (a) Creates this subsection from existing text. Requires TDI to provide to the public through TDI's toll-free telephone number only the following information:

(1) information collected or maintained by TDI relating to the number and disposition of complaints received against an insurer that are justified, verified as accurate, and documented as valid, expressed as a percentage

of the total number of insurance policies written by the insurer and in force on December 31 of the preceding year;

(2) the rating of an insurer, if any, as published by a nationally recognized rating organization;

(3) the kinds of coverage available to a consumer through any insurer writing insurance in this state;

(4) an insurer's admitted assets-to-liabilities ratio; and

(5) other appropriate information collected and maintained by TDI.

(b) Requires TDI to make the information described by Subsection (a)(1) available to the public through TDI's Internet website.

SECTION 6. Amends Subchapter B, Chapter 2301, Insurance Code, by adding Sections 2301.0535, 2301.0536, and 2301.0537, as follows:

Sec. 2301.0535. **REQUIRED INFORMATION IN RENEWAL POLICY.** (a) Requires an insurer to provide a copy of the renewal policy to the insured at the time a residential property insurance policy or a personal automobile insurance policy is renewed. Requires that the policy contain on the first page:

(1) a table that clearly lists the premium charged under the policy before renewal, the new premium charged under the renewal policy, and the percentage change, if any, between those amounts; and

(2) an explanation, in plain language, of any changes in the coverage under the renewal policy.

(b) Requires that the first page of the renewal policy contain a statement advising the consumer of TDI's Internet website that is designated by TDI to help consumers compare premiums and coverages of different insurers' policies, if there is an increase in the premium or change in the coverage under the renewal policy.

(c) Requires the commissioner to adopt appropriate wording for notices under this section.

Sec. 2301.0536. **UPDATED POLICY REQUIRED.** Requires the insurer to provide the insured with an updated copy of the policy that marks the changes at any time there is a change in the coverage of a residential property insurance policy or personal automobile insurance policy.

Sec. 2301.0537. **STATEMENT OF DEDUCTIBLE.** Requires that a residential property insurance policy, personal automobile insurance policy, or other document that expresses a deductible as a percentage of the coverage amount state the actual dollar amount of the deductible next to the percentage.

SECTION 7. Makes application of Chapter 561, Insurance Code, as added by this Act, and Sections 2301.0535, 2301.0536, and 2301.0537, Insurance Code, as added by this Act, prospective to January 1, 2012.

SECTION 8. Effective date: September 1, 2011.