

## **BILL ANALYSIS**

Senate Research Center  
82R692 AJA-D

S.B. 97  
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Business & Commerce  
2/21/2011  
As Filed

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

Currently, insurance companies are able to vary rates within a county by any amount that is actuarially sound. This policy has led to a large difference in the amount that people must pay for insurance, even if they live on the same block within a single county. Unfortunately, these dramatically higher prices occur in areas where the policyholders can least afford to pay them, predominantly in lower-income, high-minority communities.

The point of insurance is to spread and share risk. This sharing of risk increases the certainty about the total losses that the pool will suffer while lowering the cost to the insurer and the members in the pool. Following this rationale, S.B. 97 would limit the amount that insurers may vary insurance rates within a single county to 15 percent. This 15 percent limit will allow insurers to appropriately consider risk factors, such as higher crime or increased traffic, while ensuring that residents in a county are treated fairly and equally. The 15 percent limit would not apply to greater variances justified by weather-related risks. S.B. 97 would effectively return Texas to a system of "rating territories" (the counties), which existed before the 78th Legislature.

As proposed, S.B. 97 amends current law relating to rates charged for residential property and personal automobile insurance in certain rating territories.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 1 (Section 2253.001, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 2253.001(b), Insurance Code, as follows:

(b) Authorizes the commissioner of insurance (commissioner) by rule to allow a greater rate difference than the rate difference specified by Subsection (a) (relating to rating territories that subdivide a county) only if the commissioner determines that the greater rate difference is justified solely by weather-related factors and is supported with sound actuarial data.

SECTION 2. Makes application of this Act prospective to January 1, 2012.

SECTION 3. Effective date: September 1, 2011.