

BILL ANALYSIS

Senate Research Center
84R10526 SCL-D

S.B. 1554
By: Eltife
Business & Commerce
4/6/2015
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 14, 78th Legislature, Regular Session, 2003, substantially revised the framework for regulating rates that insurers charge consumers for personal lines of insurance, which includes automobile and homeowners insurance. Prior to S.B. 14, insurers were required to charge consumers a promulgated rate. S.B. 14 replaced the promulgated rate with a file-and-use system that allows insurers to charge new rates without prior approval from the commissioner of insurance. Insurers are still required, however, to submit their rates and supporting statistical information to the Texas Department of Insurance (TDI) so that TDI can review them for compliance with applicable statutory provisions.

S.B. 14 also added Section 2251.202 to the Insurance Code, which requires the commissioner of insurance to annually compute and publish a statewide standard rate index for personal auto insurance. This index theoretically allows comparisons of an insurer's rate to the rate index, but since the 2003 legislation also allows insurers to file their own rating plans, it is difficult to provide a meaningful comparison for rates via the auto index. In other words, as S.B. 14 took effect, the market changed and the overall usefulness of the rate index diminished.

Recognizing its relative lack of utility and rare usage, S.B. 1554 eliminates the requirement that TDI publish a standard rate index for personal automobile insurance.

As proposed, S.B. 1554 amends current law relating to the regulation of rates for certain personal automobile insurance.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 3 (Section 2251.1025, Insurance Code) of this bill.

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 3 (Section 2251.1025, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2151.001(2), Insurance Code, to redefine "authorized insurer."

SECTION 2. Amends Sections 2251.003(a) and (b), Insurance Code, as follows:

- (a) Provides that this subchapter and Subchapters B, C, and D apply to, rather than Subchapters B, C, D, and E apply to, certain types of insurance as set forth.
- (b) Makes a conforming change.

SECTION 3. Transfers Section 2251.205, Insurance Code, to Subchapter C, Chapter 2251, Insurance Code, redesignates it as Section 2251.1025, Insurance Code, and amends it, as follows:

Sec. 2251.1025. New heading: FILING REQUIREMENTS FOR CERTAIN PERSONAL AUTOMOBILE INSURERS WITH LESS THAN 3.5 PERCENT OF MARKET. Redesignates existing Section 2251.205 as Section 2251.1025. (a) Creates this subsection

from existing text. Provides that an insurer is subject to the filing requirements determined by the commissioner of insurance (commissioner) by rule under this section, rather than Section 2251.204, if the insurer meets certain requirements as set forth.

(b) Requires the commissioner by rule to determine the information required to be provided in a filing under this section.

SECTION 4. Repealer: Section 2251.201 (Applicability of Subchapter), Insurance Code.

Repealer: Section 2251.202 (Statewide Standard Rate Index for Personal Automobile Insurance), Insurance Code.

Repealer: Section 2251.203 (Establishment of Other Standard Rate Indexes), Insurance Code.

Repealer: Section 2251.204 (Application to Certain County Mutual Insurance Companies), Insurance Code.

Repealer: the heading to Subchapter E (Standard Rate Index for Personal Automobile Insurance), Chapter 2251, Insurance Code.

SECTION 5. Effective date: September 1, 2015.