

Amend CSSB 14, committee substitute, by striking from page 12, line 12-14 through page 13, line 13-8, and substituting the following:

ARTICLE 4. RATE ROLLBACK; RATE FILINGS

SECTION 4.01. Subchapter C, Chapter 5, Insurance Code, is amended by adding Article 5.26-1 to read as follows:

Article 5.26-1. Temporary Rate Rollback for Residential Property Insurance

Sec. 1. The legislature finds that:

(1) in 1999, prior to the recent rate increases, average homeowners policy premiums in Texas were already the highest in the nation and almost twice the national average;

(2) in 2000, paid losses in the residential property insurance market in Texas increased significantly, due primarily to water and mold losses, leading insurers in that market to raise their rates even higher on policies issued, delivered or renewed after January 1, 2001;

(3) in fact, there has been an average statewide rate increase of 45 percent for Texas homeowners since 2000;

(4) this 45 percent increase in rates occurred despite the fact that coverage has decreased during this same period by 15 percent to nearly 45 percent (water and mold coverage has been significantly reduced, and insurers have adopted changed forms);

(5) the effect of this 45 percent increase in premium for reduced coverage was exacerbated for many Texans by the increased use of age of home and credit scoring discounts, which caused premiums to more than double for some policyholders who did not fit into the insurer's preferred credit scoring classification;

(6) Texas homeowners are paying more today for less coverage than they did three years ago, as present insurance rates have not yet decreased despite the reduction of coverage of up to nearly 45 percent, and even though rates increased 45 percent in response to risks and losses that are no longer insured;

(7) Today, insurance companies continue to target rates of return which are much higher than is reasonably expected, in part due to the use of unreasonable profit provisions being

loaded in the rate, and resulting in excessive rates being charged policy holders;

(8) although rates should be returned to levels at or below those in effect on January 1, 2001, insurers have failed to account for the water and mold losses that will no longer be covered from the historical loss data on which they base their rates and are inappropriately selecting loss trends and underwriting profit provisions in the double digits as they project into the future;

(9) while the monetary effect of coverage changes combined with declining losses can be actuarially determined within a reasonable degree of certainty, insurers will delay implementation of further rate reductions until they have data evidencing actual loss experience;

(10) the delay in adjusting rates to reflect reductions in coverage will result in a windfall for the insurers, and this benefit should be passed on immediately to their policy holders; and

(11) legislative action in the public interest and within the police power of the state is required to eliminate unnecessary delays to pass these benefits on to the insured public of this state.

Sec. 2. Notwithstanding Article 5.26 of this subchapter or Article 5.142 of this code, and subject to Sec. 3 of this article, for any form of insurance subject to this Subchapter issued or renewed between October 1, 2003, and September 30, 2004, each insurer shall reduce its rates to levels which are no greater than the insurer's rates for the same type of coverage which were in effect on January 1, 2001. For purposes of this section, and notwithstanding the reduced coverage, a replacement value policy is the same type of coverage as an HO-B policy and an actual cash value policy is the same type of coverage as an HO-A policy.

Sec. 3. Between October 1, 2003, and September, 2004, rates and premiums reduced pursuant to Section 2 of this article may be increased only if the commissioner finds, after affording due process and a hearing open to the public, that higher rates are required by the Texas or United States Constitution. In that event, the commissioner shall permit the insurer to increase rates only to

the minimum level required to comply with the Texas and United States Constitutions.

Sec. 4. This article applies to all insurers, including a reciprocal or interinsurance exchange, mutual, capital stock company, fraternal benefit society, farm mutual, local mutual aid association, county mutual insurance company, association, Lloyd's plan company, or other entity writing insurance covered by this subchapter.