

BILL ANALYSIS

C.S.H.B. 639

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Insurance

2/11/2003

Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, 95% of homeowners insurance premiums are written by insurers that are not rate regulated. According to the Department of Insurance, the industry has moved most of its homeowners business to unregulated Lloyds and reciprocal exchange companies that are not required to file rate information with the commissioner of insurance. C.S.H.B. 639 requires insurers writing residential property insurance to file rates and supporting data on a one-time basis with the commissioner of insurance.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 639 amends the Insurance Code to require insurers writing residential property insurance in Texas to file rates and supporting data, including current rates and estimated rates to be charged in the six-month period following the effective date of this Act, with the commissioner of insurance (commissioner) on a one-time basis. The bill requires the commissioner to submit a report to the governor, lieutenant governor, speaker of the house, and members of the legislature not later than the 30th day after the effective date of this Act. The bill requires that the report provide a summary review of the rates presented in a manner that protects the identity of individual insurers to inform the legislature as to whether the rates are just, adequate, and reasonable and not excessive or unfairly discriminatory, and to assist in determining the most effective and efficient regulatory system.

The bill specifies the information that insurers are required to file and requires the commissioner to determine which insurers are required to file the rating information, the type of information to be included in the filing, and the date on which the filing is due. The commissioner is required to issue an order containing specified information and to notify affected insurers of the order. The bill requires the commissioner to require the filing of rates to be made not later than the 30th day after the effective date of this Act. The commissioner is authorized to require an insurer to provide additional information after the initial rate submission.

Information filed with the Department of Insurance under this Act that is confidential under a law that applied to the insurer before the effective date of this Act remains confidential and is not subject to disclosure, except for legislative purposes. The bill does not preclude the use of filed information to prosecute a violation of this code and sets forth provisions relating to the confidentiality of information used for this purpose. The bill provides that an insurer that fails to comply with any request for information issued by the commissioner under this Act is subject to sanctions. The bill requires the commissioner to notify the governor, lieutenant governor, speaker of the house, and members of the legislature of the names of the insurers with whom a request was made for the rate filings and the names of the insurers who did not respond in whole or in part to the commissioner's request. The bill requires that the notification be made by separate letter on the fourth day following the date on which the commissioner determines that the filing is due.

EFFECTIVE DATE

On passage or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 639 modifies the original by requiring the commissioner to require the one filing of rates to be made not later than the 30th day after the effective date of this Act rather than before June 1, 2003. The substitute removes the provision in the original relating to the use of filed rate information for a rate hearing or any disciplinary action by the Texas Department of Insurance. The substitute adds new language to require the commissioner to notify specified persons of the names of insurers that were requested to file rates and of those insurers who did not respond to the request. The substitute provides that information that is confidential under a law that applied to the insurer before the effective date of this Act, rather than all filed information, is confidential and not subject to disclosure. The substitute adds a provision that only information that is confidential under a law that applied to the insurer before the effective date of this Act that is used in prosecuting a code violation is subject to a protective order.