

BILL ANALYSIS

C.S.H.B. 3031
By: Van Arsdale
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Rates for numerous lines of insurance, including fidelity and surety bonds, personal umbrella, personal liability and financial guaranty insurance are subject to Article 5.15 of the Insurance Code. This statute requires insurers to file their rates and policy forms with the Texas Department of Insurance (department) for approval prior to use. Rate and policy form filings submitted to the department are deemed approved if not disapproved within 60 days of the date of filing. The commissioner may grant a 60-day extension to complete the review of the filing.

Inland marine insurance is governed by Article 5.53 of the Insurance Code. This statute also requires insurers to file their rates and policy forms with the department for approval prior to use. Rate and policy form filings submitted to the department are deemed approved if not disapproved within 30 days of the date of filing. The commissioner may grant a 30-day extension to complete the review of the filing.

Meanwhile, most other commercial property and casualty lines fall under Article 5.13-2 of the Insurance Code, a file and use statute for rates. Under Article 5.13-2, rates must be filed before an insurer can use them. File and use gives insurers flexibility in developing rates, while preserving the commissioner's ability to ensure that the rates charged are not excessive, inadequate, unreasonable or unfairly discriminatory.

C.S.H.B. 3031 provides for the regulation of certain lines of property and casualty insurance under Article 5.13-2 of the Insurance Code.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Commissioner of Insurance in SECTION 3 (Article 5.13-2, Insurance Code) and SECTION 6 (Article 5.53, Insurance Code) of this bill.

ANALYSIS

C.S.H.B. 3031 amends the Insurance Code to regulate the rates and forms for fidelity and surety bonds, personal umbrella insurance, personal liability insurance, guaranteed auto protection (GAP) insurance, involuntary unemployment insurance, financial guaranty insurance, inland marine insurance, rain insurance, and hail insurance on farm crops under Article 5.13-2 of the Insurance Code.

The bill specifies that Article 5.13-2 does not apply to a line of insurance regulated under provisions relating to motor vehicle or automobile insurance (Subchapter A, Chapter 5) or fire insurance and allied lines (Subchapter C, Chapter 5). The bill requires the Commissioner of Insurance (Commissioner) to adopt rules governing the manner in which form and rates for various classifications of risks insured under inland marine insurance are regulated.

The bill excludes the Texas Fair Plan Association from the definition of insurer under Article 5.13-2. The bill retains an exception for Lloyd's and reciprocals from the provisions of Article 5.13-2 relating to rate standards, rate filings, public information, disapproval and forms.

The bill repeals Articles 5.14, 5.15, and 5.15B, Insurance Code; Article 5.97(e), Insurance Code; Section 4(b)(2), Article 21.49-3, Insurance Code. The bill makes other conforming changes.

EFFECTIVE DATE

September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute conforms the original to Texas Legislative Council style and format.