

## **BILL ANALYSIS**

S.B. 1606  
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Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Currently, the establishment of a FAIR (Fair Access to Insurance Requirements) Plan, a residual market mechanism for residential property insurance, by the commissioner of insurance (commissioner) is conditioned on the experience of the residential Market Assistance Program (MAP). S.B. 1606 removes the current requirement that before establishing a FAIR Plan, at least 50 percent of the applicants to the MAP who are qualified for that program have not been placed with an insurer for the previous 12-month period, after the commissioner has made insurer participation mandatory. This bill provides that effective September 1, 2005, one of the requirements for the establishment of a FAIR Plan is that at least 25 percent of the qualified homeowners applying to the MAP have not been placed with an insurer for the previous sixmonth period.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Commissioner of Insurance in SECTION 1 (Article 21.49A, Insurance Code) of this bill.

### **ANALYSIS**

SECTION 1. Amends Section 1, Article 21.49A, Insurance Code, as follows:

Sec. 1. AUTHORITY; PURPOSE. (a) Decreases from 50 percent to 25 percent the percentage of the applicants to the residential property market assistance program who are qualified under the plan of operation that have not been placed with an insurer in the previous 6 months, rather than 12 months, as one of the prerequisites for establishment of a FAIR (Fair Access to Insurance Requirements) Plan.

(a-1) Authorizes the commissioner of insurance (commissioner) to establish a FAIR Plan to deliver residential property insurance to citizens of this state in underserved areas, required to be determined and designated by the commissioner by rule, if the commissioner determines, after a public hearing, that in all or any part of the state residential property insurance is not reasonably available in the voluntary market to a substantial number of insurable risks. Provides that this Subsection expires September 1, 2005.

(b) Creates this subsection from existing text and redesignates former Subsection (b) as Subsection (c).

SECTION 2. Amends Section 6(b), Article 21.49A, Insurance Code, to authorize applications to be made on behalf of the applicant by a licensed general lines property and casualty agent, rather than local recording agent.

SECTION 3. Amends Section 8(b), Article 21.49A, Insurance Code, to replace a reference to Article 1.04 with a reference to Subchapter D, Chapter 36, of this code.

SECTION 4. Amends Section 12, Article 21.49A, Insurance Code, to replace a reference to Article 1.10 (Certain Duties of the Department) with a reference to Chapter 82, to replace a reference to Article 1.10E (Administrative Penalties) with a reference to Chapter 84, and to replace a reference to Article 1.10A (Cease and Desist Orders) with a reference to Chapter 83 of this code.

SECTION 5. Effective date: upon passage or September 1, 2003.

**EFFECTIVE DATE**

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