

By: Smithee

H.B. No. 8

A BILL TO BE ENTITLED

AN ACT

relating to regulation of certain types of insurance and the
conduct of certain insurers.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. PRIOR APPROVAL OF RATES FOR RESIDENTIAL PROPERTY

INSURANCE AND PERSONAL AUTOMOBILE INSURANCE

SECTION 1.01. Notwithstanding Article 5.101, Insurance
Code, or any other law, the commissioner of insurance by rule shall
adopt a regulatory system requiring prior approval of rates for
residential property insurance and personal automobile insurance.
The prior approval system must ensure that rates for residential
property insurance and personal automobile insurance are not
excessive, inadequate, unreasonable, or unfairly discriminatory.
The commissioner may require that an insurer file any information
necessary to implement the rate system adopted under this section.
The system adopted under this section applies to each insurer
authorized to write residential property insurance or personal
automobile insurance in this state, including a Lloyd's plan,
county mutual insurance company, farm mutual insurance company, or
reciprocal or interinsurance exchange.

SECTION 1.02. The commissioner of insurance may consider
the effect of legislation enacted by the 78th Legislature, Regular
Session, 2003, rates and other information filed with the
commissioner as a result of that legislation, and any other

1 information available to the commissioner and may, on the basis of
2 that information, order each insurer, including a Lloyd's plan,
3 county mutual insurance company, farm mutual insurance company, or
4 reciprocal or interinsurance exchange, to reduce rates for
5 residential property insurance or personal automobile insurance in
6 this state in accordance with the commissioner's order.

7 ARTICLE 2. POLICY FORMS FOR RESIDENTIAL PROPERTY

8 INSURANCE AND PERSONAL AUTOMOBILE INSURANCE

9 SECTION 2.01. Notwithstanding Article 5.35, Insurance
10 Code, or any other law, the commissioner of insurance by rule shall
11 adopt a system for adoption or approval of policy forms and
12 endorsements for residential property insurance. The system may
13 include filing requirements and may impose specific requirements
14 for coverage provided under the policy forms and endorsements.

15 SECTION 2.02. Notwithstanding Article 5.06, Insurance
16 Code, or any other law, the commissioner of insurance by rule shall
17 adopt a system for adoption or approval of policy forms and
18 endorsements for personal automobile insurance. The system may
19 include filing requirements and may impose specific requirements
20 for coverage provided under the policy forms and endorsements.

21 ARTICLE 3. COMMERCIAL AUTOMOBILE INSURANCE

22 SECTION 3.01. The heading to Article 5.13-2, Insurance
23 Code, is amended to read as follows:

24 Art. 5.13-2. RATES FOR GENERAL LIABILITY, COMMERCIAL
25 AUTOMOBILE, AND COMMERCIAL PROPERTY INSURANCE COVERAGE

26 SECTION 3.02. Sections 1 and 2, Article 5.13-2, Insurance
27 Code, are amended to read as follows:

1 Sec. 1. PURPOSE. This article governs the regulation of
2 general liability, commercial automobile, commercial property,
3 which shall include farm and ranch owners and farm and ranch
4 policies, all commercial casualty, and medical professional
5 liability insurance rates and forms. It does not govern
6 ~~[automobile]~~ fidelity, surety, or guaranty bonds. The purposes of
7 this article are to:

8 (1) promote the public welfare by regulating insurance
9 rates to prohibit excessive, inadequate, or unfairly
10 discriminatory rates;

11 (2) promote availability of insurance;

12 (3) promote price competition among insurers to
13 provide rates and premiums that are responsive to competitive
14 market conditions;

15 (4) prohibit price-fixing agreements and other
16 anticompetitive behavior by insurers;

17 (5) regulate the insurance forms used for lines of
18 insurance subject to this article to ensure that they are not
19 unjust, unfair, inequitable, misleading, or deceptive; and

20 (6) provide regulatory procedures for the maintenance
21 of appropriate information reporting systems.

22 Sec. 2. SCOPE. Notwithstanding any other law, this ~~[This]~~
23 article applies to all lines of general liability, commercial
24 automobile, commercial property, all commercial casualty, and
25 medical professional liability insurance written under policies or
26 contracts of insurance issued by a licensed insurer, other than a
27 fidelity, surety, or guaranty bond or an automobile insurance

1 policy.

2 SECTION 3.03. Section 3(2), Article 5.13-2, Insurance Code,
3 is amended to read as follows:

4 (2) "Insurer" means an insurer to which Article 5.13
5 of this code applies, but does not include the Texas Windstorm
6 Insurance Association. However, the provisions of Sections 4, 5,
7 6, and 7 of this article shall not apply to Lloyd's plans or
8 reciprocals with respect to commercial property insurance. The
9 provisions of this article shall apply to county mutual insurance
10 companies with respect to commercial automobile insurance.

11 ARTICLE 4. UNDERWRITING GUIDELINES

12 SECTION 4.01. The commissioner of insurance may require
13 that each insurer authorized to write residential property
14 insurance or motor vehicle insurance in this state, including a
15 Lloyd's plan, county mutual insurance company, farm mutual
16 insurance company, or reciprocal or interinsurance exchange, file
17 the insurer's underwriting guidelines for the approval,
18 consideration, or information of the commissioner. The
19 commissioner may prohibit or limit the use of an underwriting
20 guideline that the commissioner determines is unreasonable or
21 unfairly discriminatory.

22 ARTICLE 5. CERTAIN INSURANCE PLANS AND ASSOCIATIONS

23 SECTION 5.01. The Texas Windstorm Insurance Association,
24 the FAIR Plan Association, and the Texas Automobile Insurance Plan
25 Association shall each study the coverages provided by or through
26 that association, the rates for those coverages, and the operations
27 of the association. Not later than the 120th day after the

1 effective date of this Act, each association shall report to the
2 commissioner of insurance any changes necessary to ensure that the
3 coverages provided by or through the association are adequate and
4 appropriate, that the rates are not excessive, inadequate,
5 unreasonable, or unfairly discriminatory, and that the association
6 operates in an appropriate manner.

7 ARTICLE 6. CERTAIN INSURERS

8 SECTION 6.01. Notwithstanding any other law, a Lloyd's
9 plan, reciprocal or interinsurance exchange, farm mutual insurance
10 company, and county mutual insurance company are subject to each
11 law of this state governing rates, policy forms, or endorsements
12 for residential property insurance or motor vehicle insurance or
13 the operations of insurers that issue that insurance. The
14 commissioner of insurance may adopt rules as necessary to implement
15 this section.

16 ARTICLE 7. WITHDRAWAL REQUIREMENTS

17 SECTION 7.01. Section 827.001, Insurance Code, as effective
18 June 1, 2003, is amended to read as follows:

19 Sec. 827.001. DEFINITIONS [~~DEFINITION~~]. In this chapter:

20 (1) "Insurer" means an insurance company or other
21 legal entity authorized to engage in the business of insurance in
22 this state, including a reciprocal or interinsurance exchange, a
23 Lloyd's plan, a county mutual insurance company, and a farm mutual
24 insurance company.

25 (2) "Rating [~~rating~~ territory]" means a rating
26 territory established by the department.

27 ARTICLE 8. EFFECTIVE DATE

1 SECTION 8.01. This Act takes effect September 1, 2003.