

A BILL TO BE ENTITLED

AN ACT

relating to premium discounts for certain residential property insurance policies.

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

SECTION 1. Subchapter C, Chapter 5, Insurance Code, is amended by adding Article 5.43 to read as follows:

Art. 5.43. OPTIONAL PREMIUM DISCOUNT FOR CERTAIN RESIDENTIAL PROPERTY INSURANCE POLICIES. (a) In this article:

(1) "Affiliate" means an entity classified as an affiliate of an insurer under Section 823.003 of this code.

(2) "Insurer" means an insurer authorized to write residential property insurance, including a county mutual insurance company, farm mutual insurance company, Lloyd's plan, or reciprocal or interinsurance exchange.

(3) "Residential property insurance" means property or property and casualty insurance covering a dwelling, including homeowners insurance, residential fire and allied lines insurance, farm and ranch insurance, or farm and ranch owners insurance.

(b) An insurer that issues a residential property insurance policy in this state may:

(1) provide a discount of not less than three percent in the premiums that would otherwise be charged for the policy if the policyholder has continuously been a residential property insurance policyholder with that insurer or an affiliate of that

1 insurer but has not filed a residential property insurance claim
2 during the three years before the effective date of the policy; and

3 (2) increase the amount of the discount by one percent
4 for each subsequent year in which the policyholder has been a
5 residential property insurance policyholder with that insurer or an
6 affiliate of that insurer but has not filed a residential property
7 insurance claim.

8 (c) An insurer that provides a discount under this article
9 is not required to provide a discount under this article that
10 exceeds 10 percent of the premiums that would otherwise be charged
11 for the residential property insurance policy.

12 (d) This article applies without regard to whether any of
13 the policies that continuously covered the policyholder, as
14 described by Subsections (b)(1) and (2) of this article, was a
15 different type of residential property insurance policy from the
16 policy eligible for the discount.

17 (e) The commissioner shall adopt rules as necessary to
18 implement this article and shall establish by rule guidelines under
19 which an insurer that provides a discount under this article shall
20 determine the appropriate discount based on sound actuarial
21 principles. The commissioner may approve a discount filed with the
22 department that is greater or less than the discount specified by
23 this article if the commissioner determines the discount is
24 actuarially justified.

25 SECTION 2. As soon as practicable after the effective date
26 of this Act, the commissioner of insurance shall adopt rules to
27 implement Article 5.43, Insurance Code, as added by this Act.

1 SECTION 3. This Act takes effect immediately if it receives
2 a vote of two-thirds of all the members elected to each house, as
3 provided by Section 39, Article III, Texas Constitution. If this
4 Act does not receive the vote necessary for immediate effect, this
5 Act takes effect September 1, 2003.