

1-1 By: Van de Putte, Gallegos S.B. No. 113
1-2 (In the Senate - Filed November 14, 2002; January 29, 2003,
1-3 read first time and referred to Committee on Business and Commerce;
1-4 April 28, 2003, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 9, Nays 0; April 28, 2003,
1-6 sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 113 By: Van de Putte

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to premium discounts for certain residential property
1-11 insurance policies.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Subchapter C, Chapter 5, Insurance Code, is
1-14 amended by adding Article 5.43 to read as follows:

1-15 Art. 5.43. OPTIONAL PREMIUM DISCOUNT FOR CERTAIN
1-16 RESIDENTIAL PROPERTY INSURANCE POLICIES. (a) In this article:

1-17 (1) "Affiliate" means an entity classified as an
1-18 affiliate of an insurer under Section 823.003 of this code.

1-19 (2) "Insurer" means an insurer authorized to write
1-20 residential property insurance, including a county mutual
1-21 insurance company, farm mutual insurance company, Lloyd's plan, or
1-22 reciprocal or interinsurance exchange.

1-23 (3) "Residential property insurance" means property
1-24 or property and casualty insurance covering a dwelling, including
1-25 homeowners insurance, residential fire and allied lines insurance,
1-26 farm and ranch insurance, or farm and ranch owners insurance.

1-27 (b) An insurer that issues a residential property insurance
1-28 policy in this state may:

1-29 (1) provide a discount of not less than three percent
1-30 in the premiums that would otherwise be charged for the policy if
1-31 the policyholder has continuously been a residential property
1-32 insurance policyholder with that insurer or an affiliate of that
1-33 insurer but has not filed a residential property insurance claim
1-34 during the three years before the effective date of the policy; and

1-35 (2) increase the amount of the discount by one percent
1-36 for each subsequent year in which the policyholder has been a
1-37 residential property insurance policyholder with that insurer or an
1-38 affiliate of that insurer but has not filed a residential property
1-39 insurance claim.

1-40 (c) An insurer that provides a discount under this article
1-41 is not required to provide a discount under this article that
1-42 exceeds 10 percent of the premiums that would otherwise be charged
1-43 for the residential property insurance policy.

1-44 (d) This article applies without regard to whether any of
1-45 the policies that continuously covered the policyholder, as
1-46 described by Subsections (b)(1) and (2) of this article, was a
1-47 different type of residential property insurance policy from the
1-48 policy eligible for the discount.

1-49 (e) The commissioner shall adopt rules as necessary to
1-50 implement this article and shall establish by rule guidelines under
1-51 which an insurer that provides a discount under this article shall
1-52 determine the appropriate discount based on sound actuarial
1-53 principles. The commissioner may approve a discount filed with the
1-54 department that is greater or less than the discount specified by
1-55 this article if the commissioner determines the discount is
1-56 actuarially justified.

1-57 SECTION 2. As soon as practicable after the effective date
1-58 of this Act, the commissioner of insurance shall adopt rules to
1-59 implement Article 5.43, Insurance Code, as added by this Act.

1-60 SECTION 3. This Act takes effect immediately if it receives
1-61 a vote of two-thirds of all the members elected to each house, as
1-62 provided by Section 39, Article III, Texas Constitution. If this
1-63 Act does not receive the vote necessary for immediate effect, this

2-1 Act takes effect September 1, 2003.

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