

BILL ANALYSIS

Senate Research Center
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H.B. 2437
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Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

S.B. 14, passed during the 78th Legislature, Regular Session, 2003, was designed to allow certain insurers that service the nonstandard insurance market to continue to serve that market in Texas. S.B. 14 provided for simplified filing requirements for county mutuals and other insurance companies writing nonstandard insurance only if they wrote at rates in excess of 30 percent over the rate index. In order to maintain and respond to consumer driven nonstandard automobile insurance rates it is necessary for nonstandard insurers to retain rate filing flexibility. The nonstandard automobile insurance market has a high degree of rate fluctuation due to the consumer profile and insurers routinely filing for numerous rate changes. This provision allows for continued competitive service to the underserved markets in the state.

H.B. 2437 recognizes that an insurance company along with its affiliated companies or group would be characterized as nonstandard if it restricts its issuance of personal automobile liability insurance policies only below 101 percent of the minimum limits of liability as required by the financial responsibility laws of this state. Subject to this restriction, the insurance company may write personal automobile liability insurance policies at lower competitive rates. Under this bill, nonstandard insurers will continue the filing requirements as set forth under Article 5.13-2 (Rates and Forms for Certain Property and Casualty Insurance), Insurance Code. The bill also maintains protections against migration by insurers with large market shares to prevent them from evading rate regulation.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Article 5.13-2, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 13, Article 5.13-2, Insurance Code, by adding Subsection (h), as follows:

(h) Provides that an insurer is subject to the filing requirements determined by the commissioner of insurance by rule under Subsection (f) of this section if the insurer, along with the insurer's affiliated companies or group, issues personal automobile liability insurance policies only below 101 percent of the minimum limits required by Chapter 601 (Motor Vehicle Safety Responsibility Act), Transportation Code, and the insurer, along with the insurer's affiliated companies or group, has a market share of less than 3.5 percent of the personal automobile insurance market in this state.

SECTION 2. Effective date: upon passage or September 1, 2005.