

BILL ANALYSIS

C.S.H.B. 2437
By: Haggerty
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Senate Bill 14 (78R) was designed to allow certain insurers that service the nonstandard insurance market to continue to serve that market in Texas. Senate Bill 14 provided for simpler filing requirements for county mutuals and other insurance companies writing nonstandard insurance only if they wrote at rates in excess of 30% 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.

Committee Substitute House Bill 2437 will recognize 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 Committee Substitute House Bill 2437, nonstandard insurers will continue the filing requirements as set forth under Article 5.13-2, Insurance Code. The legislation also maintains protections against migration by insurers with large market shares to prevent them from evading rate regulation.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1 Adds new subsection (h) to Section 13, Article 5.13-2, Insurance Code, Section 1

Adds new language (1) that further defines an eligible insurer along with its insurers or affiliated companies or group under new subsection (h) as an insurer that restricts issuance of personal automobile liability insurance to policies with limits only below 101% of the minimum limits set by Chapter 601, Transportation Code.

Adds new language (2) that further restricts an eligible insurer along with the insurers affiliated companies or group under new subsection (h) as one with a market share of less than 3.5 percent of the personal automobile market in Texas.

SECTION 2 Effective date

EFFECTIVE DATE

Upon passage or if the Act does not receive the necessary number of votes, the Act takes effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

CSHB 2437 as heard in committee	CSHB 2437
Adds new subsection (h) to Section 13, Article 5.13-2, Insurance Code, Section 1	Adds new subsection (h) to Section 13, Article 5.13-2, Insurance Code, Section 1
Adds new subsection (h) that defines what type of insurer is subject to filing requirements as determined by the commissioner by rule including the insurers affiliated companies or group.	Adds new subsection (h) that defines what insurer is subject to filing requirements as determined by the commissioner by rule <i>excluding the insurers affiliated companies or group.</i>
Adds new language (1) that further defines an eligible insurer under new subsection (h) as an insurer that issues personal automobile liability insurance at limits only below 101% of the minimum limits set by Chapter 601, Transportation Code.	Adds new language (1) that further defines an eligible insurer <i>along with its insurers or affiliated companies or group</i> under new subsection (h) as an insurer that issues personal automobile liability insurance at limits only below 101% of the minimum limits set by Chapter 601, Transportation Code.
Adds new language (2) that further defines an eligible insurer along with the insurers affiliated companies or group under new subsection (h) as one with a market share of less than 3.5 percent of the personal automobile market in Texas.	Adds new language (2) that further defines an eligible insurer along with the insurers affiliated companies or group under new subsection (h) as one with a market share of less than 3.5 percent of the personal automobile market in Texas.
SECTION 2, This act takes effect immediately with two-thirds of the vote of all members elected to each house or September 1, 2005,	SECTION 2, This act takes effect immediately with two-thirds of the vote of all members elected to each house or September 1, 2005,