

BILL ANALYSIS

H.B. 2565
By: Eiland
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Current law provides that unless a statute expressly states that it applies to a county mutual insurance companies, farm mutual insurance companies, Lloyds plans, or reciprocal exchanges, those entities are exempt from that statute. None of these entities is currently expressly included within the scope of Article 5.20 which prohibits an insurer, agent and broker from giving or allowing rebates. The purpose of the proposed legislation is to enhance consistent regulation of all insurance companies by expressly making county mutual insurance companies, farm mutual insurance companies, Lloyds plans and reciprocal exchanges expressly subject to the Article 5.20 prohibition against rebating. This legislation amends the Insurance Code to make county mutual insurance companies, farm mutual insurance companies, Lloyds plans, or reciprocal exchanges, writing under Chapter 5, Subchapter B expressly subject to the requirements of Article 5.20 Insurance Code.

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: Amends Article 5.13(a) of the Insurance Code to apply Article 5.20 to county mutual insurance companies and farm mutual insurance companies.

Section 2: Clarifies definitions.

Section 3: Applies the following sections of the insurance code to a farm mutual insurance company: sections 201.005 and 201.055, Chapter 541, and Article 5.20. Removes applicability of Articles 1.11, 1.20, 1.21, 1.22, and 21.21.

Section 4: Provides that county mutual insurance companies are subject to Sections 501.202 and 501.203; Chapters 221, 251, 252, 254, and 541; and Article 5.20 of the Insurance Code. It removes county mutual insurance companies from being subject to Articles 1.35B, 4.10, 5.12, 5.49, and 21.21.

Section 5: Makes Lloyd's plans subject to Chapters 251, 252, and 541, and Article 5.20 of the Insurance Code. Removes Lloyd's from being subject to Subchapter Q, and Articles 5.49 and 21.21 of the Insurance Code.

Section 6: Makes an exchange subject to Article 5.20 and Chapter 541 of the Insurance Code. Removes an exchange from being subject to Subchapter Q and Article 21.21 of the Insurance Code.

Section 7: Prospective application

Section 8: Effective Date

EFFECTIVE DATE

September 1, 2005. The Act applies beginning with January 1, 2006.

