

## **BILL ANALYSIS**

Senate Research Center  
79R17551 E

C.S.H.B. 2760  
By: Taylor (Averitt)  
Business & Commerce  
5/16/2005  
Committee Report (Substituted)

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

C.S.H.B. 2760 clarifies that county mutuals' rates will be evaluated and the rating standards will be applied at the program level. H.B. 2760 also set forth guidelines by which an MGA program will be considered independent of other program rates. The MGA must be appointed by a county mutual that historically writes through MGAs at nonstandard rates. This is designed to ensure that the exemption for companies writing at nonstandard rates remains narrow as intended in S.B. 14, enacted by the 78th Legislature, Regular Session, 2003. C.S.H.B. 2760 also redefines "nonstandard rates" and authorizes the commissioner of insurance (commissioner) to permit certain county mutual insurance companies to be eligible for certain exemptions. The commissioner would have to submit a report on the market insured by county mutual insurers.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 912.002, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 912.002, Insurance Code, by amending Subsection (c) and adding Subsections (c-1) and (c-2), as follows:

(c) Provides that rate regulation for a residential fire and allied lines insurance policy written by a county mutual insurance company is subject to Subchapter U (Rating Territories for Certain Lines), rather than Subchapters Q and U, Chapter 5. Provides that, on and after December 1, 2004, rate regulation for a personal automobile insurance policy and a residential fire and allied lines insurance policy written by a county mutual insurance company, including a policy written through one of multiple insurance programs marketed or offered to consumers by managing general agents appointed by the same county mutual insurance company, is subject to Article 5.13-2 (Rates and Forms for Certain Property and Casualty Insurance). Requires rates for a program marketed or offered to consumers for personal automobile insurance by a managing general agent appointed by a county mutual insurance company, for the purposes of this subsection, to be considered independently of the other rates for personal automobile insurance of that county mutual insurance company if the county mutual insurance company meets certain criteria.

(c-1) Provides that an independent program of a county mutual insurer described by Subsection (c) is subject to the rate standards of Article 5.13-2.

(c-2) Creates subsection from existing text. Authorizes the commissioner of insurance to adopt rules as necessary to implement Subsections (c) and (c-1), rather than this subsection.

SECTION 2. Amends Section 13(e), Article 5.13-2, Insurance Code, to redefine "nonstandard rates," and authorizes the commissioner of insurance to permit certain county mutual companies to be eligible for a certain exemption.

SECTION 3. (a) Requires the commissioner of insurance to submit a report to the governor, the lieutenant governor, the speaker of the house of representatives, and the members of the 80th Legislature on the market insured by county mutual insurers. Authorizes the report to also

include information on the market served by other types of insurers that issue personal automobile insurance policies only at nonstandard rates as defined by Section 13, Article 5.13-2, Insurance Code. Requires the report to be submitted before September 1, 2006.

(b) Requires the report to include certain information.

(c) Requires insurers to provide sufficient information as determined by the commissioner of insurance to allow the Texas Department of Insurance to prepare the report required by this section.

(d) Provides that this section expires March 1, 2007.

SECTION 4. Makes application of this Act prospective to January 1, 2006.

SECTION 5. Effective date: September 1, 2005.