

BILL ANALYSIS

H.B. 2871
By: Smithee
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Article 5.171, Insurance Code provides that an insurer may not use rating territories that subdivide a county unless the rate for any subdivisions within that county is not greater than 15% higher than the rate used in any other subdivisions in the county by that insurer. An exception is provided to allow the commissioner by rule, to allow a rate difference greater than 15%. By rule (TAC 5.9960), the Commissioner may allow insurers writing residential property and personal auto to have differences greater than 15% as long as the rates are actuarially supported.

Article 5.171 seems to apply to all lines of business but the ability to file rates that exceed the 15% cap is only permitted for residential property and personal auto insurance. The exception, along with the background which led to the development of Article 5.171, has caused uncertainty regarding whether the statute is intended to apply only to residential property and personal automobile insurance.

This bill amends Article 5.171, Insurance Code to clarify that the 15% cap only applies to residential property and personal automobile insurance.

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 5.171 of the Insurance Code to clarify that the 15% cap applies only to residential property and personal automobile insurance.

SECTION 2: Prospective application.

EFFECTIVE DATE

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