

BILL ANALYSIS

C.S.S.B. 14
Jackson
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

S.B. 14, 78th Legislature, Regular Session, 2003, created an entirely new insurance regulatory system in Texas. As a result of many successful provisions in the bill, insurance rates have decreased and companies are returning to the market and competing again.

Despite the overall success of last session's S.B. 14, two insurance companies have effectively used Texas's court system to their advantage. One company is still in the court system disputing the Texas Department of Insurance's (TDI) initial rate adjustment and their customers (who represent thousands of Texas consumers) have yet to see the rate reductions they were promised last session.

C.S.S.B. 14 amends Article 5.144, Insurance Code, to refund excessive or unfairly discriminatory premium plus interest on amounts that are more than 7.5 percent of the total premium charged for the coverage. The bill also requires interest to be paid on future premium discounts under Article 5.144.

C.S.S.B. 14 sets interest rates on unfair or discriminatory premiums in such a way to discourage companies from using the court system to gain a financial incentive. The bill also prohibits an insurer from claiming a premium tax credit to which the insurer would have otherwise been entitled unless the insurer complies with the provisions in Article 5.144, Section (b) of the 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 5.144 of the Insurance Code by striking reference to Article 5.101 in subsection b and adding language requiring that refunds issued under this section must include interest. Adds subsection (b-1) providing that the interest rate assessed under subsection (b) is the lesser of 18 percent or the sum of six percent and the prime rate as published by the Wall Street Journal for the first day of the calendar year that is not a Saturday, Sunday, or legal holiday in the year the commissioner's order is issued. The interest accrues beginning on the date which the commissioner enters the order and continues to accrue until the refund is paid. An insurer may not be required to pay any interest penalty if the insurer prevails in an appeal under Subchapter D, Chapter 36 of the Insurance Code.

Adds subsection (b-2) prohibiting an insurer from claiming a premium tax credit to which the insurer is otherwise entitled unless the insurer complies with Subsection (b) of Article 5.144.

Section 2: Effective date

EFFECTIVE DATE

September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

Section 1 of the original is not in the substitute. The requirements for payment of interest in Section 2 of the original are contained in Section 1 of the substitute. In the original, language

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regarding calculation of the interest rate is in Section 2. In the Substitute, Section 1 contains language regarding calculation of the interest rate, but the rate language differs from the original. Section 1 of the substitute also contains an added provision regarding insurer premium tax credits. Section 3 of the original is not in the substitute. Section 4 of the original contains the effective date. This effective date is in Section 2 of the substitute.