

BILL ANALYSIS

Senate Research Center
79R2723 DLF-F

S.B. 398
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Business & Commerce
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AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The 78th Legislature, Regular Session, 2003, enacted S.B. 14, which reformed the property and casualty and automobile insurance industries in Texas. As a part of that reform, the legislature sought to ensure that the small, traditional county mutuals in our state could continue to insure the high risk drivers who can not obtain automobile insurance from traditional insurance companies. During the implementation of S.B. 14, several necessary changes were identified to ensure the original intent of the legislature is implemented.

As proposed, S.B. 398 provides a clear standard for the determination of qualifying non-standard automobile rates by providing for the use of discounts and policy fees in the rates of the companies. S.B. 398 also preserves the capacity of traditional county mutuals to write non-standard business. Traditional county mutuals use Managing General Agents (MGAs). While the county mutual acts as an umbrella organization, each MGA functions as an independent company. S.B. 398 recognizes this business model and provides that each program is subject to a separate reinsurance agreement and each chapter is considered separately for the use of rate standards, rate filings, and territories.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 13, Article 5.13-2, Insurance Code, by amending Subsection (f) and adding Subsection (f-1), as follows:

(f) Specifies that a county mutual insurance company that issues personal automobile insurance policies only at nonstandard rates are to determine the nonstandard rates before all applicable discounts are applied to the rates and after any policy fees are applied to the rates.

(f-1) Provides that, for a county mutual insurance company described by Subsection (f), each personal automobile insurance program of the company that is subject to a separate reinsurance agreement and each local chapter or district is considered an insurer.

SECTION 2. Repealer: Articles 5.01-1 (Premium Rating Plans) and 5.01-3 (Former Military Vehicles), Insurance Code.

SECTION 3. Makes application of this Act prospective to January 1, 2006.

SECTION 4. Effective date: September 1, 2005.