

BILL ANALYSIS

Senate Research Center
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S.B. 1559
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AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Article 5.20 (Rebates Prohibited), Insurance Code, which prohibits an insurer, agent, or broker from giving or allowing rebates does not apply to county mutual insurance companies, farm mutual insurance companies, Lloyd's plans, or reciprocal exchanges. The Texas Department of Insurance (department) has encountered an agent that is offering inducements to consumers with every auto policy or quote. The department believes this practice violates Article 5.20, Insurance Code, and any other type of insurer engaging in this practice would be subject to disciplinary action by the department.

Current law provides that, unless a statute expressly states that it applies to county mutual insurance companies, farm mutual insurance companies, Lloyd's 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.

As proposed, S.B. 1559 enhances consistent regulation of all insurance companies by expressly making county mutual insurance companies, farm mutual insurance companies, Lloyd's plans, and reciprocal exchanges subject to the Article 5.20 prohibition against rebating.

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 Article 5.13(a), Insurance Code, to include certain mutual insurance companies and farm mutual insurance companies as subject to Article 5.20 (Rebates Prohibited) of this code.

SECTION 2. Amends Article 5.20(d), Insurance Code, to define "insurer" and redefine "insurance" and "policy."

SECTION 3. Amends Section 911.001(c), Insurance Code, to amend certain provisions that apply to a farm mutual insurance company.

SECTION 4. Amends Section 912.002(b), Insurance Code, to amend the list of certain provisions that apply to a county mutual insurance company.

SECTION 5. Amends Section 941.003(b), Insurance Code, to amend the list of certain provisions that apply to a Lloyd's plan.

SECTION 6. Amends Section 942.003(b), Insurance Code, to amend the list of certain provisions that apply to an exchange.

SECTION 7. Makes application of this Act prospective to January 1, 2006.

SECTION 8. Effective date: September 1, 2005.