

## **BILL ANALYSIS**

Senate Research Center  
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S.B. 1829  
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### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

The 78th Legislature, Regular Session, 2003, enacted S.B. 14, designed to allow certain insurers serving the nonstandard insurance market to continue to serve that market in Texas. S.B. 14 provided for lesser filing requirements for county mutuals and other insurance companies writing nonstandard insurance. Nonstandard markets were to be determined based upon a threshold rate (the benchmark plus 30 percent) as compared to a standard rate index. The commissioner of insurance, by rule, was allowed to designate companies other than county mutuals that had also traditionally served the nonstandard market.

S.B. 1829 recognizes that an insurance company would be characterized as nonstandard because it is issuing policies at or above nonstandard rates before applicable discounts and after policy fees; or it is only issuing minimum limits of liability policies as required by the financial responsibility laws of this state. By permitting an insurer to qualify as a nonstandard company by issuing its liability policies only at minimum limits without reference to the standard rate, compliance will be easily determinable. Under S.B. 1829, nonstandard insurers are exempt from the more detailed filing requirements of Article 5.13-2, Insurance Code, but insurers are still required to file a schedule of rates and comply with rating standards.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the commissioner of insurance is rescinded in SECTION 1 (Sections 13(f) and 13(g), Article 5.13-2, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 13, Article 5.13-2, Insurance Code, as follows:

#### SECTION 13.

- (a) Provides that this section governs rate regulation of personal automobile insurance and other nonstandard insurers as described by this section.
- (b) Authorizes, rather than requires, the commissioner of insurance (commissioner) to annually compute and publish a statewide standard rate index, using standard and generally accepted actuarial techniques, for certain insurance policies.
- (c) Makes no changes.
- (d) Makes no changes.
- (e) Redefines "nonstandard rates."
- (f) Provides that a county mutual insurance company or nonstandard insurer that issues personal automobile insurance policies only at nonstandard rates or issues personal automobile liability coverages only below 101 percent of minimum limits as required by the financial responsibility laws of this state for liability insurance is exempt from the filing requirements if the insurer and the insurer's affiliated companies or group have a market share of less than 3.5 percent of the total Texas personal automobile insurance market. Requires an insurance company subject to this subsection, in setting rates, to

comply with the rating standards established by this article. Provides that, except as provided by Subsection (h), a nonstandard insurer described in this section is exempt from the rate filing and approval requirements of Article 5.13-2 (Rates and Forms for Certain Property and Casualty Insurance). Authorizes the commissioner to inspect the books and records of a company at any time to ensure compliance with the rating standards. Provides that an insurance company described by this subsection is subject to Article 5.144 (Refund of Excessive or Discriminatory Premium; Discount). Provides that a county mutual insurance company that not described by this section is subject to Article 21.81 (Texas Automobile Insurance Plan Association) and is required to comply with the filing requirements of this article and any other provision of this code applicable to a county mutual insurance company. Deletes existing text requiring certain rate-related information to be filed with the department. Deletes existing text requiring the commissioner, by rule, to determine the information required in such filings.

(g) Requires a nonstandard insurer to mean a licensed insurer, county mutual, Lloyds or reciprocal that serves the high-risk, nonstandard personal automobile market at nonstandard rates or writes personal automobile liability coverages only at limits no greater than 101 percent of the minimum limits as required by financial responsibility laws of this state. Authorizes a nonstandard insurer to offer and provide physical damage coverages and other personal automobile coverages to insured persons. Requires a nonstandard insurer and the insurer's affiliated companies or group to have a market share of less than 3.5 percent in order to qualify for exemption under this section. Requires a nonstandard insurer to meet capitalization and solvency requirements set by the commissioner. Requires a nonstandard insurer to file information with the commissioner to show qualification as a nonstandard insurer under this subsection and to file a schedule of rates with the department. Deletes existing text authorizing the commissioner, by rule, to designate types of insurers exclusively serving the high risk, nonstandard market.

(h) Requires a nonstandard insurer described in Subsection (f) that proposes to increase its overall premium rates charged policyholders for a personal automobile insurance product by 10 percent or more than the amount the insurer charged policyholders for the same or an equivalent personal automobile insurance product during the preceding calendar year to file the insurer's proposed rates in accordance with Article 5.13-2, as applicable, and obtain approval of the proposed rates as provided by the applicable article.

(i) Requires a county mutual, Lloyds, or reciprocal insurer to be subject to the statistical data reporting requirements adopted pursuant to Subchapter E (Statistical Data Collection), Chapter 38. Requires a county mutual that writes through one or more managing general agents to be considered a separate insurance program for each managing general agency. Requires statistics and rates for each managing general agency to be reported and determined separately for each managing general agency. Authorizes a nonstandard insurer to write both nonstandard and standard risks, however, standard risks written through a nonstandard insurer are required to be subject to the rate filing and other requirements of this article and are prohibited from being subject to the exemption for nonstandard risks in Section (f) [sic]. Requires a county mutual that issues policies through separate programs that are written through one or more managing general agencies to determine whether the business is standard or nonstandard for each program and managing general agency. Requires the provisions of this article and Subchapters A (General Prohibitions Against Discrimination by an Insurer or Health Maintenance Organization) and B (Other General Prohibitions Against Discrimination by Insurers), Chapter 544, to apply to each managing general agency program as if it were a separate insurer.

SECTION 2. Effective date: upon passage or September 1, 2005.