

By: Rose

H.B. No. 1532

A BILL TO BE ENTITLED

AN ACT

1
2 relating to rates for professional liability insurance for
3 physicians and health care providers.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 3, Article 5.15-1, Insurance Code, is
6 amended to read as follows:

7 Sec. 3. Rates shall be made in accordance with the following
8 provisions:

9 (a) Consideration shall be given to past and prospective
10 loss and expense experience for all professional liability
11 insurance for physicians and health care providers written in this
12 state, unless the department [~~State Board of Insurance~~] shall find
13 that the group or risk to be insured is not of sufficient size to be
14 deemed credible, in which event, past and prospective loss and
15 expense experience for all professional liability insurance for
16 physicians and health care providers written outside this state
17 shall also be considered, to a reasonable margin for underwriting
18 profit and contingencies, to investment income, to dividends or
19 savings allowed or returned by insurers to their policyholders or
20 members.

21 (b) The department [~~State Board of Insurance~~] shall
22 consider the impact of risk management courses taken by physicians
23 and health care providers in this state in approving rates under
24 this article.

1 (c) For the establishment of rates, risks may be grouped by
2 classifications, by rating schedules, or by any other reasonable
3 methods. Classification rates may be modified to produce rates for
4 individual risks in accordance with rating plans which establish
5 standards for measuring variations in hazards or expense
6 provisions, or both. Those standards may measure any difference
7 among risks that can be demonstrated to have a probable effect upon
8 losses or expenses.

9 (d) Rates shall be reasonable and shall not be excessive or
10 inadequate, as defined in this subsection, nor shall they be
11 unfairly discriminatory. No rate shall be held to be excessive
12 unless the rate is unreasonably high for the insurance coverage
13 provided [~~and a reasonable degree of competition does not exist in~~
14 ~~the area with respect to the classification to which the rate is~~
15 ~~applicable~~]. No rate shall be held to be inadequate unless the rate
16 is unreasonably low for the insurance coverage provided and is
17 insufficient to sustain projected losses and expenses; or unless
18 the rate is unreasonably low for the insurance coverage provided
19 and the use of the rate has or, if continued, will have the effect of
20 destroying competition or creating a monopoly.

21 SECTION 2. This Act applies only to the rate used for an
22 insurance policy that is delivered, issued for delivery, or renewed
23 on or after January 1, 2006. The rate used for a policy that is
24 delivered, issued for delivery, or renewed before January 1, 2006,
25 is governed by the law as it existed immediately before the
26 effective date of this Act, and that law is continued in effect for
27 this purpose.

1 SECTION 3. This Act takes effect September 1, 2005.