

1-1 By: Taylor (Senate Sponsor - Averitt) H.B. No. 2760
1-2 (In the Senate - Received from the House April 25, 2005;
1-3 April 26, 2005, read first time and referred to Committee on
1-4 Business and Commerce; May 17, 2005, reported adversely, with
1-5 favorable Committee Substitute by the following vote: Yeas 6,
1-6 Nays 0; May 17, 2005, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 2760 By: Averitt

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to regulation of rates for personal automobile and fire
1-11 and allied lines insurance policies issued by a county mutual
1-12 insurance company.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Section 912.002, Insurance Code, is amended by
1-15 amending Subsection (c) and adding Subsections (c-1) and (c-2) to
1-16 read as follows:

1-17 (c) Rate regulation for a residential fire and allied lines
1-18 insurance policy written by a county mutual insurance company is
1-19 subject to Subchapter [Subchapters Q and] U, Chapter 5. On and
1-20 after December 1, 2004, rate regulation for a personal automobile
1-21 insurance policy and a residential fire and allied lines insurance
1-22 policy written by a county mutual insurance company, including a
1-23 policy written through one of multiple insurance programs marketed
1-24 or offered to consumers by managing general agents appointed by the
1-25 same county mutual insurance company, is subject to Article 5.13-2.
1-26 For the purposes of this subsection, rates for a program marketed or
1-27 offered to consumers for personal automobile insurance by a
1-28 managing general agent appointed by a county mutual insurance
1-29 company shall be considered independently of the other rates for
1-30 personal automobile insurance of that county mutual insurance
1-31 company if the county mutual insurance company:

1-32 (1) has historically written business through
1-33 managing general agents;

1-34 (2) was writing business through managing general
1-35 agents as of December 1, 2004; and

1-36 (3) is issuing or writing personal automobile
1-37 insurance policies only at nonstandard rates, as that term is
1-38 defined by Section 13(e), Article 5.13-2, as determined after any
1-39 policy fees are applied to the rates, or renewing policies at rates
1-40 that are at least 105 percent of the applicable standard rate index
1-41 adopted under Section 13(c) or (d), Article 5.13-2, as determined
1-42 after any policy fees are applied to the rates [A county mutual
1-43 insurance company is subject to Subchapter U, Chapter 5].

1-44 (c-1) An independent program of a county mutual insurance
1-45 company described by Subsection (c) is subject to the rate
1-46 standards of Article 5.13-2.

1-47 (c-2) The commissioner may adopt rules as necessary to
1-48 implement Subsections (c) and (c-1) [this subsection].

1-49 SECTION 2. Section 13(e), Article 5.13-2, Insurance Code,
1-50 is amended to read as follows:

1-51 (e) For purposes of this section, "nonstandard rates" means
1-52 rates that are 20 [30] percent or more above the standard rate index
1-53 as determined by the commissioner under this section. The
1-54 commissioner, on written request, may permit a county mutual
1-55 insurance company that issues policies that are 10 percent or more
1-56 above the standard rate index to be eligible for the exemption
1-57 described by Subsection (f) of this section. A county mutual
1-58 insurance company that renews policies using rates that are at
1-59 least 105 percent of the applicable standard rate index is eligible
1-60 for the exemption described by Subsection (f) of this section.

1-61 SECTION 3. (a) The commissioner of insurance shall submit a
1-62 report to the governor, the lieutenant governor, the speaker of the
1-63 house of representatives, and the members of the 80th Legislature

2-1 on the market insured by county mutual insurers. The report may
2-2 also include information on the market served by other types of
2-3 insurers that issue personal automobile insurance policies only at
2-4 nonstandard rates as defined by Section 13, Article 5.13-2,
2-5 Insurance Code. The report must be submitted before September 1,
2-6 2006.

2-7 (b) The report required by this section must include:

2-8 (1) the types and terms of policies issued;

2-9 (2) a description of the geographic spread of business
2-10 throughout the state;

2-11 (3) the scope of coverage provided;

2-12 (4) a description of the insureds serviced by the
2-13 insurers and the relative level of risk posed by the insureds;

2-14 (5) recommendations from the Texas Department of
2-15 Insurance to the legislature regarding the application of Section
2-16 13, Article 5.13-2, Insurance Code, to county mutual insurers and
2-17 other types of insurers; and

2-18 (6) any other information considered necessary by the
2-19 commissioner of insurance.

2-20 (c) Insurers shall provide sufficient information as
2-21 determined by the commissioner of insurance to allow the Texas
2-22 Department of Insurance to prepare the report required by this
2-23 section.

2-24 (d) This section expires March 1, 2007.

2-25 SECTION 4. The change in law made by this Act applies only
2-26 to an insurance policy delivered, issued for delivery, or renewed
2-27 on or after January 1, 2006. A policy delivered, issued for
2-28 delivery, or renewed before that date is governed by the law in
2-29 effect immediately before the effective date of this Act, and that
2-30 law is continued in effect for that purpose.

2-31 SECTION 5. This Act takes effect September 1, 2005.

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