

BILL ANALYSIS

H.B. 2547
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Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

A major goal of S.B. 14, enacted by the 78th Legislature, Regular Session, was to subject all licensed insurers to the same regulatory rating standards. Two significant exceptions still exist. Additionally, the majority of commercial lines policy forms are subject to prior approval, and most licensed insurers are subject to filing commercial policy forms for prior approval. Commercial property rates for coverage written by Lloyd's plan and reciprocal insurers are exempt from rate filing requirements and certain rate regulation. Second, rates and policy forms for inland marine, rain, and hail insurance on farm crops written by Lloyd's plan or reciprocal insurers are exempt from rate and form filing as well as certain rate regulations.

H.B. 2547 deletes the filing exemptions for Lloyd's plan and reciprocal insurers for the larger carriers initially with a phase-in period for all other carriers of this type. Deletion of these exemptions would subject these types of licensed insurers to the same rate filing requirements and rating standards for commercial property, inland marine, rain, and hail as other licensed insurers. It would also provide for consistent form filing requirements for commercial lines of coverage for all licensed insurers.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1 of the bill amends Section 2251.003 of the Insurance Code by deleting the rate filing exemptions for Lloyd's plan and reciprocal insurers in the five largest groups initially with a phase-in period for all other carriers of this type. This bill adds "Sections 1806.102, 1806.103, 2252.001, and 2252.002 apply", to Subsection (a). "Article 5.13 applies" is deleted. In Subsection (c), the phrase "unless the Lloyd's plan or a reciprocal or interinsurance exchange is in the five largest groups, ranked by line based on direct written premiums, writing commercial property insurance, inland marine insurance, rain insurance, or hail insurance on farm crops. Rankings shall be designated by commissioner's order after notice and a hearing. This subsection expires January 1, 2009".

SECTION 2 of the bill amends Section 2301.003 of the Insurance Code by deleting the form filing exemptions for Lloyd's plan and reciprocal insurers in the five largest groups initially with a phase-in period for all other carriers of this type. This bill adds "Sections 1806.102, 1806.103, 2252.001, and 2252.002 apply" to Subsection (a). "Article 5.13 applies" is deleted. In Subsection (c), the phrase "unless the Lloyd's plan or a reciprocal or interinsurance exchange is in the five largest groups, ranked by line based on direct written premiums, writing commercial property insurance. Rankings shall be designated by commissioner's order after notice and a hearing. This subsection expires January 1, 2009". In Subsection (d), the phrase " unless the Lloyd's plan or a reciprocal or interinsurance exchange is in the five largest groups, ranked by line based on direct written premiums, writing inland marine insurance, rain insurance, or hail insurance on farm crops. Rankings shall be designated by commissioner's order after notice and a hearing. This subsection expires January 1, 2009".

SECTION 3 states that this Act applies to a commercial property insurance policy issued by a Lloyd's plan or reciprocal or interinsurance exchange that is delivered, issued for delivery, or renewed on or after the effective date of this Act. A commercial property insurance policy issued by a Lloyd's plan or reciprocal or interinsurance exchange that is delivered, issued for delivery, or renewed prior to the effective date of this Act is governed by the law as it existed

immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 4 states that this Act applies to an insurance policy or printed endorsement form for inland marine insurance, rain insurance, or hail insurance on farm crops issued by a Lloyd's plan or reciprocal or interinsurance exchange that is delivered, issued for delivery, or renewed on or after January 1, 2008. An insurance policy or printed endorsement form for inland marine insurance, rain insurance, or hail insurance on farm crops issued by a Lloyd's plan or reciprocal or interinsurance exchange that is delivered, issued for delivery, or renewed before January 1, 2008, is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 5 states that this Act takes effect September 1, 2007.

EFFECTIVE DATE

September 1, 2007.