

## **BILL ANALYSIS**

C.S.H.B. 2884  
By: Martinez, "Mando"  
Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The United States Department of Agriculture's Risk Management Agency (RMA) oversees the federal crop insurance program. Since the cost of crop insurance is regulated, all farmers pay the same price for crop insurance regardless of which insurer issues their policy; therefore, crop insurance agents have to compete based upon quality of service and other factors. According to RMA, in 2008 the gross premium written in Texas for crop insurance exceeded \$604 million. Because of the dollar amount of premiums written in Texas, there has been an increase in illegal rebating schemes. RMA has been working with the Texas Department of Insurance to end illegal rebating schemes.

C.S.H.B. 2884 prohibits an insurer or agent that is authorized to engage in the business of insurance from participating in an arrangement that allows a person to receive or potentially receive a dividend, profit, or other consideration that is contingent solely on the purchase of insurance on growing crops, except as otherwise provided by federal law or regulation. The bill establishes that a person, including an insurer, who violates that prohibition commits an unfair practice and is subject to sanctions.

### **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**

C.S.H.B. 2884 amends the Insurance Code to prohibit an insurer or agent that is authorized to engage in the business of insurance from participating in an arrangement that allows a person to receive or potentially receive a dividend, profit, or other consideration that is contingent solely on the purchase of insurance on growing crops, except as otherwise provided by federal law or regulation. The bill establishes that a person, including an insurer, who violates this prohibition commits an unfair practice and is subject to sanctions under Texas insurance laws.

C.S.H.B. 2884 establishes that its provisions apply only to an insurance transaction that involves the sale of insurance on growing crops and does not affect or alter any provision relating to the sale of any other line of insurance that may be sold in conjunction with an applicable transaction. The bill defines "insurer."

C.S.H.B. 2884 makes its provisions applicable to an insurance policy or contract that is delivered, issued for delivery, or renewed on or after January 1, 2010.

### **EFFECTIVE DATE**

September 1, 2009.

## **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 2884 adds a definition for "insurer," which is not defined in the original. The substitute differs from the original by making its provisions applicable only to an insurance transaction that involves the sale of insurance on growing crops, whereas the original applies to an insurer or agent that is authorized to engage in the business of insurance that is limited to the business of insuring risks on growing crops.

C.S.H.B. 2884 adds a provision not in the original establishing that the prohibition set out in the bill does not affect or alter any provision relating to the sale of any other line of insurance that may be sold in conjunction with a transaction that involves the sale of insurance on growing crops. The substitute adds language not in the original specifying that its provisions apply except as otherwise provided by federal law and regulation. The substitute adds a provision not in the original establishing that a person, including an insurer, who violates the prohibition set out in the bill commits an unfair practice and is subject to sanctions under Texas insurance laws.