

By: West

S.B. No. 225

A BILL TO BE ENTITLED

AN ACT

relating to the classifications used in rating personal automobile insurance.

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

SECTION 1. Section 2251.002, Insurance Code, is amended by adding Subdivisions (2-a) and (2-b) to read as follows:

(2-a) "Non-preferred classification" means a classification, other than a preferred classification, used in rating personal automobile insurance in this state.

(2-b) "Preferred classification" means any of the following classifications used in rating personal automobile insurance in this state:

(A) the number of miles driven annually by the insured;

(B) the insured's driving record; and

(C) the insured's number of years of driving experience.

SECTION 2. The heading to Subchapter B, Chapter 2251, Insurance Code, is amended to read as follows:

SUBCHAPTER B. RATE STANDARDS; RATE CLASSIFICATIONS

SECTION 3. Subchapter B, Chapter 2251, Insurance Code, is amended by adding Section 2251.053 to read as follows:

Sec. 2251.053. RATE STANDARDS FOR PERSONAL AUTOMOBILE INSURANCE. (a) Notwithstanding Section 2251.052, in setting rates

1 for personal automobile insurance in this state, an insurer:

2 (1) must assign the greatest aggregate weight to  
3 preferred classifications;

4 (2) may not assign non-preferred classifications a  
5 greater aggregate weight than the aggregate weight assigned to  
6 preferred classifications; and

7 (3) may not use a non-preferred classification until  
8 the classification has been filed with the department and approved  
9 by the commissioner in accordance with Subchapter G.

10 (b) A rate set in accordance with this section:

11 (1) may not be excessive, inadequate, unreasonable, or  
12 unfairly discriminatory for the risks to which the rate applies;  
13 and

14 (2) must be based on actuarially sound principles.

15 SECTION 4. Chapter 2251, Insurance Code, is amended by  
16 adding Subchapter G to read as follows:

17 SUBCHAPTER G. PRIOR APPROVAL OF CERTAIN RATING CLASSIFICATIONS  
18 USED IN RATING PERSONAL AUTOMOBILE INSURANCE

19 Sec. 2251.301. APPLICABILITY OF SUBCHAPTER. This  
20 subchapter applies only to classifications used in rating personal  
21 automobile insurance in this state.

22 Sec. 2251.302. APPROVAL OF NON-PREFERRED CLASSIFICATION  
23 REQUIRED. An insurer may not use a non-preferred classification  
24 until the classification has been filed with the department and  
25 approved by the commissioner in accordance with this subchapter.

26 Sec. 2251.303. COMMISSIONER ACTION. (a) Not later than  
27 the 30th day after the date a non-preferred classification is filed

1 with the department under this subchapter, the commissioner shall:

2 (1) approve the classification if the commissioner  
3 determines that the classification and rates resulting from the use  
4 of the classification comply with the requirements of this chapter;  
5 or

6 (2) disapprove the classification if the commissioner  
7 determines that the classification or the rates resulting from the  
8 use of the classification do not comply with the requirements of  
9 this chapter.

10 (b) Except as provided by Subsection (c), if a non-preferred  
11 classification has not been approved or disapproved by the  
12 commissioner before the expiration of the 30-day period described  
13 by Subsection (a), the classification is considered approved and  
14 the insurer may use the non-preferred classification.

15 (c) For good cause, the commissioner may, on the expiration  
16 of the 30-day period described by Subsection (a), extend the period  
17 for approval or disapproval of a non-preferred classification for  
18 one additional 30-day period. The commissioner and the insurer may  
19 not by agreement extend the 30-day period described by Subsection  
20 (a).

21 Sec. 2251.304. ADDITIONAL INFORMATION. (a) If the  
22 department determines that the information filed by an insurer  
23 under this chapter is incomplete or otherwise deficient, the  
24 department may request additional information from the  
25 insurer. If the department requests additional information from  
26 the insurer during the 30-day period provided by Section  
27 2251.303(a) or under a second 30-day period provided under Section

1 2251.303(c), the time between the date the department submits the  
2 request to the insurer and the date the department receives the  
3 information requested is not included in the computation of the  
4 first 30-day period or the second 30-day period, as applicable.

5 (b) For purposes of this section, the date of the  
6 department's submission of a request for additional information is:

7 (1) the date of the department's electronic mailing or  
8 telephone call relating to the request for additional information;

9 or

10 (2) the postmarked date on the department's letter  
11 relating to the request for additional information.

12 Sec. 2251.305. CLASSIFICATION DISAPPROVAL; HEARING. (a)  
13 If the commissioner disapproves under Section 2251.303(a)(2) a  
14 classification filed with the department, the commissioner shall  
15 issue an order disapproving the filed classification in the manner  
16 prescribed for a disapproved filing under Section 2251.103(b).

17 (b) An insurer whose non-preferred classification is  
18 disapproved is entitled to a hearing in the manner prescribed for a  
19 disapproved filing under Section 2251.103(c).

20 Sec. 2251.306. CLASSIFICATIONS PROVIDED TO PUBLIC. The  
21 department shall periodically update insurer profiles maintained  
22 on the department's Internet website to provide information to  
23 policyholders and potential policyholders stating:

24 (1) whether or not an insurer uses non-preferred  
25 classifications; and

26 (2) if an insurer uses non-preferred classifications:

27 (A) the names and content of any non-preferred

1 classifications used; and

2 (B) the aggregate weight assigned to any  
3 non-preferred classifications used.

4 SECTION 5. The change in law made by this Act applies only  
5 to a personal automobile insurance policy that is delivered, issued  
6 for delivery, or renewed on or after January 1, 2010. An insurance  
7 policy that is delivered, issued for delivery, or renewed before  
8 January 1, 2010, is covered by the law in effect at the time the  
9 policy was delivered, issued for delivery, or renewed, and that law  
10 is continued in effect for that purpose.

11 SECTION 6. This Act takes effect September 1, 2009.