

1-1 By: Watson, Lucio, Hegar S.B. No. 1655
1-2 (In the Senate - Filed March 11, 2011; March 23, 2011, read
1-3 first time and referred to Committee on Business and Commerce;
1-4 April 11, 2011, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 7, Nays 0; April 11, 2011,
1-6 sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1655 By: Watson

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

1-10 relating to transparency and propagation of information regarding
1-11 personal automobile and residential property insurance rates,
1-12 policies, and complaints.

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

1-14 SECTION 1. This Act shall be known as the Texas Insurance
1-15 Consumer Awareness and Affordability Act.

1-16 SECTION 2. Subchapter B, Chapter 32, Insurance Code, is
1-17 amended by adding Sections 32.024 and 32.025 to read as follows:

1-18 Sec. 32.024. TEXAS RESIDENTIAL PROPERTY INSURANCE STUDY.

1-19 (a) In this section, "residential property insurance" means
1-20 insurance against loss to real or tangible personal property at a
1-21 fixed location that is provided through a homeowners insurance
1-22 policy or residential fire and allied lines insurance policy.

1-23 (b) The department and the office of public insurance
1-24 counsel shall study:

1-25 (1) residential property insurance rates in this
1-26 state;

1-27 (2) regulatory changes with the potential to lower
1-28 residential property insurance rates over time in a sustainable
1-29 manner;

1-30 (3) practices by individual companies that have the
1-31 effect of lowering residential property insurance rates or
1-32 increasing customer satisfaction over time in a sustainable manner;

1-33 (4) other states' laws that have the effect of lowering
1-34 residential property insurance rates over time in a sustainable
1-35 manner;

1-36 (5) the impact of weather events on residential
1-37 property insurance rates in this state;

1-38 (6) in an effort to identify practices that lower
1-39 insurance rates, the similarities and differences between the
1-40 residential property insurance market and the commercial property
1-41 insurance market in this state;

1-42 (7) industry practices and regulatory changes that
1-43 encourage policyholders to learn more about the insurance market
1-44 and to actively shop for insurance alternatives, and that overcome
1-45 technological barriers facing certain consumers or groups of
1-46 consumers;

1-47 (8) industry practices and regulatory changes that
1-48 encourage mid-level and small-level carriers to compete for
1-49 increased market share and that attract new carriers to Texas;

1-50 (9) the role of general economic factors such as
1-51 inflation and changes in the costs of certain products and services
1-52 in the setting of insurance rates;

1-53 (10) the effects of fraud on insurance rates and
1-54 strategies to reduce fraud in this state;

1-55 (11) practices that increase efficiency and decrease
1-56 administrative costs in the requests for information and data by
1-57 the department and the conveyance of information and data by
1-58 companies; and

1-59 (12) the effect of the market cycle by which insurance
1-60 costs and underwriting criteria change due to economic factors on
1-61 the affordability and availability of insurance.

1-62 (c) Not later than September 1, 2012, the department and the
1-63 office of public insurance counsel shall submit to the governor,

2-1 the lieutenant governor, the speaker of the house of
 2-2 representatives, and the appropriate standing committees of the
 2-3 legislature a report regarding the results of the study conducted
 2-4 under Subsection (b), together with any recommendations for
 2-5 legislation. If joint recommendations cannot be made, the
 2-6 department and the office shall list their recommendations
 2-7 separately.

2-8 (d) This section expires January 1, 2013.

2-9 Sec. 32.025. TEXAS PERSONAL AUTOMOBILE INSURANCE STUDY.

2-10 (a) In this section, "personal automobile insurance" means motor
 2-11 vehicle insurance coverage for the ownership, maintenance, or use
 2-12 of a private passenger, utility, or miscellaneous type motor
 2-13 vehicle, including a motor home, mobile home, trailer, or
 2-14 recreational vehicle, that is:

2-15 (1) owned or leased by one or more individuals; and

2-16 (2) not primarily used for the delivery of goods,
 2-17 materials, or services, other than for use in farm or ranch
 2-18 operations.

2-19 (b) The department and the office of public insurance
 2-20 counsel shall study:

2-21 (1) personal automobile insurance rates in this state;

2-22 (2) regulatory changes with the potential to lower
 2-23 personal automobile insurance rates over time in a sustainable
 2-24 manner;

2-25 (3) practices by individual companies that have the
 2-26 effect of lowering personal automobile insurance rates or
 2-27 increasing customer satisfaction over time in a sustainable manner;

2-28 (4) other states' laws that have the effect of lowering
 2-29 personal automobile insurance rates over time in a sustainable
 2-30 manner;

2-31 (5) in an effort to identify practices that lower
 2-32 insurance rates, the similarities and differences between the
 2-33 personal automobile insurance market and the commercial automobile
 2-34 insurance market in this state;

2-35 (6) industry practices and regulatory changes that
 2-36 encourage policyholders to learn more about the insurance market
 2-37 and to actively shop for insurance alternatives, and that overcome
 2-38 technological barriers facing certain consumers or groups of
 2-39 consumers;

2-40 (7) industry practices and regulatory changes that
 2-41 encourage mid-level and small-level carriers to compete for
 2-42 increased market share and that attract new carriers to Texas;

2-43 (8) the role of general economic factors such as
 2-44 inflation and changes in the costs of certain products and services
 2-45 in the setting of personal automobile insurance rates;

2-46 (9) the effects of fraud on insurance rates and
 2-47 strategies to reduce fraud in this state;

2-48 (10) the number of uninsured drivers in this state,
 2-49 the effects they have on personal automobile insurance rates, and
 2-50 strategies for reducing the number of uninsured drivers;

2-51 (11) practices that increase efficiency and decrease
 2-52 administrative costs in the requests for information and data by
 2-53 the department and the conveyance of information and data by
 2-54 companies; and

2-55 (12) the effect of the market cycle by which insurance
 2-56 costs and underwriting criteria change due to economic factors on
 2-57 the affordability and availability of insurance.

2-58 (c) Not later than September 1, 2012, the department and the
 2-59 office of public insurance counsel shall submit to the governor,
 2-60 the lieutenant governor, the speaker of the house of
 2-61 representatives, and the appropriate standing committees of the
 2-62 legislature a report regarding the results of the study conducted
 2-63 under Subsection (b), together with any recommendations for
 2-64 legislation. If joint recommendations cannot be made, the
 2-65 department and the office shall list their recommendations
 2-66 separately.

2-67 (d) This section expires January 1, 2013.

2-68 SECTION 3. Section 32.103, Insurance Code, is amended to
 2-69 read as follows:

3-1 Sec. 32.103. PUBLIC INFORMATION CONCERNING INTERNET
3-2 WEBSITE. The department and the office of public insurance counsel
3-3 shall publicize the existence of the Internet website required by
3-4 this subchapter in a conspicuous manner on any websites,
3-5 correspondence, or publications created by the department or the
3-6 office, as part of the program to facilitate resolution of
3-7 policyholder complaints as provided by Section 521.002.

3-8 SECTION 4. Section 32.104, Insurance Code, is amended by
3-9 amending Subsection (b) and adding Subsections (c) and (d) to read
3-10 as follows:

3-11 (b) An insurer shall provide in a conspicuous manner with
3-12 each residential property insurance or personal automobile
3-13 insurance policy issued in this state, and on any correspondence
3-14 sent from the insurer to an insured, notice of the Internet website
3-15 required by this subchapter. An insurer is not required to provide
3-16 the notice on a separate document if the notice is included on the
3-17 policy or correspondence. The commissioner shall determine the
3-18 form and content of the notice. An insurer that transacts business
3-19 electronically and provides conspicuous notice of the Internet
3-20 website required by this chapter on the insurer's website is not
3-21 required to comply with this subsection.

3-22 (c) To the extent possible, an insurance agent who sells a
3-23 residential property insurance or personal automobile insurance
3-24 policy must, at the time of the initial sale, advise the customer
3-25 verbally, electronically, or in writing of the Internet website
3-26 maintained under this subchapter.

3-27 (d) A renewal of a residential property insurance or
3-28 personal automobile insurance policy must include the location of
3-29 the department's Internet website prominently displayed on the
3-30 declarations page of the renewal policy.

3-31 SECTION 5. Section 521.052, Insurance Code, is amended to
3-32 read as follows:

3-33 Sec. 521.052. INFORMATION PROVIDED. (a) The department
3-34 shall provide to the public through the department's toll-free
3-35 telephone number only the following information:

3-36 (1) information collected or maintained by the
3-37 department relating to the number and disposition of complaints
3-38 received against an insurer that are justified, verified as
3-39 accurate, and documented as valid, expressed as a percentage of the
3-40 total number of insurance policies written by the insurer and in
3-41 force on December 31 of the preceding year;

3-42 (2) the rating of an insurer, if any, as published by a
3-43 nationally recognized rating organization;

3-44 (3) the kinds of coverage available to a consumer
3-45 through any insurer writing insurance in this state;

3-46 (4) an insurer's admitted assets-to-liabilities
3-47 ratio; and

3-48 (5) other appropriate information collected and
3-49 maintained by the department.

3-50 (b) The department shall make the information described by
3-51 Subsection (a)(1) available to the public through the department's
3-52 Internet website.

3-53 SECTION 6. Section 551.054, Insurance Code, is amended by
3-54 adding Subsections (d) and (e) to read as follows:

3-55 (d) An insurer that refuses to renew a residential property
3-56 insurance policy or a personal automobile insurance policy but
3-57 offers a different policy in the place of that policy shall provide
3-58 to the insured:

3-59 (1) a table that clearly lists the premium charged
3-60 under the original policy, the premium charged under the new
3-61 policy, and the percentage change, if any, between those amounts;

3-62 (2) an explanation, in plain language, of any changes
3-63 in the coverage under the new policy; and

3-64 (3) notice of the department's Internet website that
3-65 is designated by the department to help consumers compare premiums
3-66 and coverages of different insurers' policies.

3-67 (e) The commissioner shall adopt appropriate wording for
3-68 notice under Subsection (d).

3-69 SECTION 7. Subchapter B, Chapter 2301, Insurance Code, is

4-1 amended by adding Sections 2301.0535, 2301.0536, and 2301.0537 to
4-2 read as follows:

4-3 Sec. 2301.0535. REQUIRED INFORMATION IN RENEWAL POLICY.

4-4 (a) At the time a residential property insurance policy or a
4-5 personal automobile insurance policy is renewed, the insurer shall
4-6 provide to the insured:

4-7 (1) a table that conspicuously and clearly lists the
4-8 premium charged under the policy before renewal, the new premium
4-9 charged under the renewal policy, and the percentage change, if
4-10 any, between those amounts; and

4-11 (2) notice of the department's Internet website
4-12 designated by the department to help consumers compare premiums and
4-13 coverages of different insurers' policies.

4-14 (b) The commissioner shall adopt appropriate wording for
4-15 notice under this section.

4-16 Sec. 2301.0536. UPDATED POLICY REQUIRED. At any time there
4-17 is a change in the coverage of a residential property insurance
4-18 policy or personal automobile insurance policy, the insurer, on
4-19 request from the consumer, shall provide the consumer with an
4-20 updated declarations page and the policy form that was changed. The
4-21 insurer shall inform the insured of the insured's right to request
4-22 an updated copy of the policy that identifies the changes.

4-23 Sec. 2301.0537. STATEMENT OF DEDUCTIBLE. (a) A
4-24 residential property insurance policy, personal automobile
4-25 insurance policy, or other document that expresses a deductible as
4-26 a percentage of the coverage amount must state the actual dollar
4-27 amount of the deductible next to the percentage.

4-28 (b) If a residential property insurance policy or personal
4-29 automobile insurance policy includes an endorsement or other
4-30 provision that includes a variable deductible or a deductible with
4-31 an escalator clause, the policy or document must explain how the
4-32 deductible will be calculated and provide an example of how the
4-33 deductible will be calculated, stating the actual dollar cost for
4-34 the example.

4-35 SECTION 8. Subsection (d), Section 32.104, Subsection (d),
4-36 Section 551.054, and Sections 2301.0535, 2301.0536, and 2301.0537,
4-37 Insurance Code, as added by this Act, apply only to an insurance
4-38 policy or contract that is delivered, issued for delivery, or
4-39 renewed on or after January 1, 2012. An insurance policy or
4-40 contract delivered, issued for delivery, or renewed before January
4-41 1, 2012, is governed by the law as it existed immediately before the
4-42 effective date of this Act, and that law is continued in effect for
4-43 that purpose.

4-44 SECTION 9. This Act takes effect September 1, 2011.

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