

BILL ANALYSIS

S.B. 733
By: Carona
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Under current law, motorists are required to show proof of financial responsibility as a condition for operating a motor vehicle, registering a vehicle, having a vehicle inspected, and receiving and renewing a Texas driver's license. The legislature created the Texas Automobile Insurance Plan Association as the state's automobile insurer of last resort after recognizing that some motorists have difficulty obtaining the required insurance through regular channels. All insurers writing automobile liability insurance are required to be members of the association.

Interested parties report that meetings of the association's governing committee require a great degree of logistical planning and that there are instances where the committee would benefit from having the ability to conduct meetings by telephone or teleconference. Additionally, all rates for insurance written through the association must be approved for use by the commissioner of insurance, and the association must annually file its proposed rates, which are then the subject of a public hearing. The parties assert that this is time consuming and carries a high cost for the association, and they note that, in contrast, admitted insurers in Texas typically employ the file and use method, which allows an insurer to file a rate with the Texas Department of Insurance and begin using that rate on filing. S.B. 733 seeks to eliminate unnecessary costs for the association by addressing these issues.

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

S.B. 733 amends the Insurance Code to authorize the governing committee of the Texas Automobile Insurance Plan Association to meet by telephone conference call, videoconference, or other similar telecommunication method for any meeting purpose, including conducting a vote or establishing a quorum, regardless of the subject matter discussed or considered. The bill makes the state open meetings law applicable to a meeting of the association's governing committee and specifies that a meeting held by such telecommunication methods is subject to the notice requirements that apply to other meetings of the governing committee under that law. The bill requires the notice of such a meeting to specify that the meeting location is a location at which at least one committee member is physically present and to state clear instructions and requirements for electronic attendance by a committee member. The bill requires each part of the meeting to be audible to the public at the specified location. The bill requires two-way audio communication to be available during the entire meeting between all members of the governing committee attending a meeting electronically and, if the two-way audio communication is disrupted so that a quorum of the committee is no longer participating in the meeting, prohibits the meeting from continuing until the two-way audio communication is reestablished.

S.B. 733 authorizes, rather than requires, the association's plan of operation to include other incentive programs encouraging authorized insurers to write insurance on a voluntary basis and

minimizing the use of the association as a means to obtain insurance.

S.B. 733 removes a provision specifying an annual basis for the association's requisite filing with the Texas Department of Insurance (TDI) for approval by the commissioner of insurance of rates to be charged for insurance provided through the association. The bill authorizes the association to use a rate, excluding a rate that exceeds 105 percent of the current average rate for each coverage written through the association on the date of the filing, on the later of the date specified by the association in the filing or the date the rate is approved or considered approved under statutory provisions regulating insurance rates. The bill requires the commissioner, not later than the 30th day after the date the association makes such a filing, to approve the rate if the commissioner determines that the rate meets the standards prescribed for such rates under statute or to disapprove the rate if the commissioner determines that the rate does not meet those standards.

S.B. 733 establishes that if the commissioner fails to act as required on or before the 30th day after the date the rate is filed, the rate is considered approved on the 31st day after the date of filing unless the approval period is extended. The bill authorizes the commissioner to extend the approval periods for one additional period not to exceed 30 days and authorizes the commissioner and the association to agree to extend the approval period for additional periods not to exceed 30 days. The bill establishes that if the commissioner does not affirmatively approve or disapprove the rate before the extended period expires, the rate is considered approved on the day after the date the extended period expires. The bill requires the commissioner to give written notice to the association by first class mail or electronic mail of the commissioner's approval or disapproval of the rate, or that the rate is considered approved under the bill's provisions. The bill authorizes the association, if the association receives written disapproval from the commissioner, to file an amended filing to comply with the commissioner's comments not later than the 10th day after the date the association receives the disapproval.

S.B. 733 requires the commissioner to conduct a hearing if the association files a rate that exceeds 105 percent of the current average rate for each coverage written through the association on the date the rate is filed with TDI. The bill makes statutory provisions that regulate the opportunity to review a rate filing and statutory provisions that regulate a hearing relating to a rate filing applicable to such a hearing.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.