

AN ACT

relating to the workers' compensation classification system and rate filings.

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

SECTION 1. Section 2051.157, Insurance Code, is amended to read as follows:

Sec. 2051.157. PENALTY FOR CERTAIN VIOLATIONS. An officer or other representative of an insurance company is subject to a fine of not less than \$100 or more than \$500 if the officer or other representative violates any provision of the following relating to the company's business:

- (1) Subchapter A or B;
- (2) Section 2051.156 or 2051.201;
- (3) Chapter 426 or 2052;
- (4) Subchapter A, C, or D, Chapter 2053; or
- (5) Section 2053.051, 2053.052, [~~2053.053~~] or 2053.055.

SECTION 2. Section 2053.001(5), Insurance Code, is amended to read as follows:

(5) "Supplementary rating information" means any manual, rating plan or schedule, plan of rules, rating rule, classification system, territory code or description, or other similar information required to determine the applicable premium for an insured. The term includes increased limits factors,

1 ~~[classification relativities,]~~ deductible relativities, and other
2 similar factors and relativities.

3 SECTION 3. Section 2053.051, Insurance Code, is amended to
4 read as follows:

5 Sec. 2053.051. HAZARD CLASSIFICATION SYSTEM. (a) For
6 workers' compensation insurance, the department shall:

7 (1) determine hazards by class; and

8 (2) ~~[establish classification relativities applicable
9 to an employer's payroll in each of the classes at levels adequate
10 to the risks to which the relativities apply.]~~

11 ~~[(b) The classification relativities established under
12 Subsection (a)(2):~~

13 ~~[(1) must be designed to encourage safety;~~

14 ~~[(2) may be territorially based; and~~

15 ~~[(3) may reflect a difference in losses between
16 employers of high wage earners and employers of low wage earners
17 within the same class.]~~

18 ~~[(c) The department shall]~~ revise the classification system
19 as necessary to carry out the purposes of this chapter ~~[at least
20 once every five years].~~

21 (b) A stock company, mutual insurance company, reciprocal
22 or interinsurance exchange, or Lloyd's plan authorized to engage in
23 the business of workers' compensation insurance in this state may
24 not use hazard classifications other than the classifications
25 established by the department.

26 SECTION 4. Section 2053.056(c), Insurance Code, is amended
27 to read as follows:

1 (c) The commissioner shall review the information submitted
2 under Subsection (b) to determine the positive or negative impact
3 of the enactment of workers' compensation reform legislation
4 enacted by the 79th Legislature, Regular Session, 2005, on workers'
5 compensation rates and premiums. The commissioner may consider
6 other factors[~~, including relativities under Section 2053.051,~~] in
7 determining whether a change in rates has impacted the premium
8 charged to policyholders.

9 SECTION 5. Sections 407A.351(a) and (b), Labor Code, are
10 amended to read as follows:

11 (a) Except as provided by Subsection (b), each group shall
12 use the uniform classification system and[~~]~~ experience rating
13 plan[~~, and rate relativities~~] of the department.

14 (b) A group may [~~+~~
15 [~~(1) use the relativities promulgated by the~~
16 ~~department modified to produce rates in accordance with the group's~~
17 ~~historical experience, or~~
18 [~~(2)~~] file [~~its own~~] rates with the department,
19 including any reasonable and supporting information required by the
20 commissioner.

21 SECTION 6. Effective July 1, 2020, Sections 2053.053 and
22 2054.354(b), Insurance Code, are repealed.

23 SECTION 7. Sections 2051.157, 2053.001(5), 2053.051, and
24 2053.056(c), Insurance Code, as amended by this Act, and Sections
25 407A.351(a) and (b), Labor Code, as amended by this Act, apply only
26 to an insurance policy that is delivered, issued for delivery, or
27 renewed on or after July 1, 2020. A policy delivered, issued for

1 delivery, or renewed before July 1, 2020, is governed by the law as
2 it existed immediately before the effective date of this Act, and
3 that law is continued in effect for that purpose.

4 SECTION 8. This Act takes effect September 1, 2019.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1336 passed the Senate on
April 26, 2019, by the following vote: Yeas 30, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1336 passed the House on
May 22, 2019, by the following vote: Yeas 131, Nays 13, two
present not voting.

Chief Clerk of the House

Approved:

Date

Governor