

BILL ANALYSIS

Senate Research Center

S.B. 965
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Personal automobile insurers must file their rates with the Texas Department of Insurance (TDI) but do not have to provide actuarial support for those rates if they write less than 3.5 percent of the market and issue personal automobile liability insurance at minimum financial responsibility limits. Similarly, insurers that write residential property do not have to provide actuarial support if they have less than two (2) percent of the statewide market share and more than half of their policies cover property valued at less than \$100,000 in areas designated as underserved.

Actuarial review ensures that rates meet statutory standards and are not excessive, inadequate, or unfairly discriminatory. Insurers exempted from actuarial support requirements often have a significant portion of their business in underserved markets. The limitations on filing requirements make it easier for these insurers to increase rates or charge unfair rates to consumers in those markets. Accordingly, TDI should perform actuarial rate reviews of rates used for policies in underserved markets to protect consumers from potentially excessive or discriminatory rates.

A TDI recommendation, S.B. 965 would remove exceptions that allow small insurers providing automobile or homeowner liability insurance to file rates with TDI without actuarial support.

(Original Author's/Sponsor's Statement of Intent)

S.B. 965 amends current law relating to rate filing requirements for certain personal lines insurers with low market shares.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is rescinded in SECTION 2 (Section 2251.1025, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2251.252, Insurance Code, by amending Subsection (a) and adding Subsection (d), as follows:

(a) Provides that an insurer, except as provided by certain subsections, including Subsection (d), is exempt from the rate filing and approval requirements of Chapter 2251 (Rates) if the insurer, during the calendar year preceding the date filing is otherwise required under Chapter 2251, issued residential property insurance policies in this state that accounted for less than two percent of the total amount of premiums collected by insurers for residential property insurance policies issued in this state, more than 50 percent of which cover property:

(1) valued at less than \$100,000; and

(2) located in an area designated by the commissioner of insurance (commissioner) as underserved for residential property insurance under Chapter 2004 (Residential Property Insurance in Underserved Areas).

(d) Requires an insurer described by Subsection (a) that increases the premium rates charged policyholders for a residential property insurance product by an annual average amount of eight percent or greater for three consecutive calendar years to file the insurer's proposed rates in accordance with Chapter 2251 in the calendar year following the three consecutive years and, if applicable, obtain approval of the proposed rates as provided by Chapter 2251. Provides that an insurer, in calculating the three consecutive calendar years' average premium increases, is not required to consider a year in which there is a weather-related catastrophe or other major natural disaster that requires the commissioner to extend the claim-handling deadlines under Section 542.059(b) (relating to the extension of claim-handling deadlines for 15 additional days in the event of a weather-related catastrophe or other major natural disaster).

SECTION 2. Repealer: Section 2251.1025 (Filing Requirements for Certain Personal Automobile Insurers With Less Than 3.5 Percent of Market), Insurance Code.

SECTION 3. Makes application of this Act prospective to January 1, 2022.

SECTION 4. Effective date: September 1, 2021.