

BILL ANALYSIS

Senate Research Center
87R7108 SMT-F

S.B. 965
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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 not be 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.

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

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is rescinded in SECTION 1 (Section 2251.1025, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Repealer: Section 2251.1025 (Filing Requirements for Certain Personal Automobile Insurers with Less Than 3.5 Percent of Market), Insurance Code.

Repealer: Subchapter F (Exemptions for Certain Insurers from Rate Filing and Approval Requirements), Chapter 2251, Insurance Code.

SECTION 2. Makes application of this Act prospective to January 1, 2022.

SECTION 3. Effective date: September 1, 2021.