

BILL ANALYSIS

Senate Research Center
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S.B. 1643
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas currently operates under a file and use system, where insurance companies file their proposed rates with the Texas Department of Insurance (TDI), but are allowed to begin using the new rates immediately. During the review process, TDI analyzes evidence and may request additional documentation to ensure the rates are actuarially sound. This system is appealing to insurance companies because they are afforded the flexibility to adjust rates in response to market conditions. The disadvantage is that if rates are not reviewed immediately, consumers may temporarily pay higher premiums until the filed rates are deemed excessive. This reactive environment can also lead to unexpected rate spikes for policyholders.

S.B. 1643 requires an insurer to file with TDI, for the commissioner's approval, a residential property or personal automobile insurance rate if the insurer increased or decreased their previously filed rate by ten percent. This provides a certain degree of flexibility for carriers to be responsive to the market while implementing guardrails to protect against extreme rate increases without proper review.

As proposed, S.B. 1643 amends current law relating to prior approval of certain property and casualty insurance rate increases or decreases.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter D, Chapter 2251, Insurance Code, by adding Section 2251.1515, as follows:

Sec. 2251.1515. PRIOR APPROVAL OF CERTAIN RATE INCREASES OR DECREASES. (a) Requires an insurer to file with the Texas Department of Insurance (TDI) for the commissioner of insurance's (commissioner) approval a rate for residential property insurance or personal automobile insurance, supplementary rating information, and any supporting information in accordance with Subchapter D (Prior Approval of Rates Under Certain Circumstances) if the insurer's rate increased or decreased by more than 10 percent from the insurer's previously filed rate that is in effect on the date of the filing.

(b) Provides that, from the date of the filing of the rate with TDI to the effective date of the new rate, the insurer's previously filed rate that is in effect on the date of the filing remains in effect.

(c) Provides that, for purposes of this section, a rate is filed with TDI on the date TDI receives the rate filing.

SECTION 2. Amends Section 2251.152(b), Insurance Code, as follows:

(b) Authorizes an insurer, notwithstanding Subsection (a) (relating to prohibiting an insurer from using a rate until the rate has been filed with TDI and approved by the commissioner), after a rate filing required under Section 2251.151 is approved under this subchapter, without prior approval of the commissioner, to use any rate subsequently filed by the insurer if the subsequently filed rate does not exceed the lesser of 107.5 percent of the rate approved by the commissioner or 110 percent of any rate used by the insurer in the previous 12-month period.

SECTION 3. Amends Section 2251.153(b), Insurance Code, as follows:

(b) Provides that, except as provided by Subsection (c) (relating to authorizing the commissioner to extend the period for approval or disapproval), if a rate has not been approved or disapproved by the commissioner before the expiration of the 30-day period described by Subsection (a) (relating to requiring the commissioner to approve or disapprove the rate), the rate is considered approved and the insurer is authorized to use the rate unless the rate proposed in the filing represents an increase of 10, rather than 12.5, percent or more from the insurer's previously filed rate.

SECTION 4. Makes application of this Act prospective to January 1, 2026.

SECTION 5. Effective date: September 1, 2025.