

BILL ANALYSIS

S.B. 1336
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Business & Industry
Committee Report (Unamended)

BACKGROUND AND PURPOSE

It has been noted that workers' compensation insurers may use classification relativities, which establish the relative risk of job classifications in terms of workers' compensation costs, to help set rates for an insured business. It has been suggested that loss costs, however, are a better measure of the portion of an insurance rate needed to cover claims and the cost of adjusting claims and that the vast majority of workers' compensation premiums in Texas are based on loss costs filed by the National Council on Compensation Insurance (NCCI). Additionally it has been noted that Texas is the only state that includes classification relativities as an alternative rate basis to loss costs and that the Texas Department of Insurance (TDI) is required by state law to revise the classification system at least once every five years. While there have been calls for more frequent updates to keep the relativities in line with NCCI loss costs, updating the relativities is time consuming, and the relativities are only used to set rates for a small percent of the market. S.B. 1336 seeks to address these issues by removing TDI's statutory obligation to develop workers' compensation classification relativities and by changing the frequency at which TDI is to revise the classification system.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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. 1336 amends the Insurance Code to remove the requirement for the Texas Department of Insurance (TDI) to establish classification relativities, for purposes of the workers' compensation classification system for workers' compensation insurance rate filings, applicable to an employer's payroll in each of the classes of hazards at levels adequate to the risks to which the relativities apply. The bill repeals the requirement for TDI to develop and publish classification relativities specifically designed for the risks insured by an insurer of last resort. The bill changes the frequency at which TDI is required to revise the workers' compensation classification system from at least once every five years to as necessary to carry out the purposes of provisions relating to rates for workers' compensation insurance.

S.B. 1336 amends the Labor Code to make conforming changes.

S.B. 1336 applies only to an insurance policy that is delivered, issued for delivery, or renewed on or after July 1, 2020.

S.B. 1336 repeals Sections 2053.053 and 2054.354(b), Insurance Code, effective July 1, 2020.

EFFECTIVE DATE

Except as otherwise provided, September 1, 2019.