

SUBJECT: Insurance rates during rate transition periods

COMMITTEE: Insurance — favorable, without amendment

VOTE: 8 ayes — Smithee, Van de Putte, Bonnen, Burnam, Eiland, G. Lewis, Olivo, Wise  
0 nays  
1 absent — Averitt

SENATE VOTE: On final passage, April 10 — 31-0

WITNESSES: None

BACKGROUND : Insurers that sell auto and homeowners insurance in the standard market charge rates under a system known as the flexrating or flexband system. Under this system, the insurance commissioner sets a benchmark rate each year, and insurers can charge rates at a certain percentage above or below that rate. Insurers do not need the commissioner's approval to charge rates that fall within this rate band.

Within 30 days of when the benchmark rate is established, insurers must file proposed rates with the commissioner, along with any statistics required to support the rate and evidence that the company did not consider disallowed expenses to figure the rate. This new rate takes effect on the date specified by the insurer but no later than 60 days after the rate is filed by the insurer. Insurers are allowed to charge their previously filed rate in the period between the establishment of the new benchmark rate and the adoption of the new rate.

DIGEST: SB 1498 would specify that an insurer could continue to charge the previously filed rate or make additional rate filings based upon the previous benchmark rate for new policies issued or existing policies renewed prior to the effective date of a new rate.

The bill would take effect on September 1, 1997, and would apply only to policies issued, delivered or renewed on or after January 1, 1998.

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SUPPORTERS  
SAY:

SB 1498 would give insurers clear authority to continue to charge or change rates under the old benchmark rate during the period after a new benchmark rate is set and before a company's new filed rate takes effect. While the practice appears to be authorized by current law and is specifically allowed by the Texas Department of Insurance, both insurers and the department would prefer to have clear legal authority for it.

The bill would not grant insurers any authority beyond what they have now to charge rates within a set flexband. Companies still would be subject to existing provisions prohibiting the filing of new rates more than twice in one year.

OPPONENTS  
SAY:

No apparent opposition.