

SUBJECT: Expanding disclosure requirements for certain insurance companies

COMMITTEE: Insurance — favorable, without amendment

VOTE: 7 ayes — Frullo, Muñoz, G. Bonnen, Guerra, Meyer, Paul, Workman

0 nays

2 absent — Sheets, Vo

SENATE VOTE: On final passage, April 7 — 28-3 (Burton, Hall, Huffines)

WITNESSES: No public hearing

BACKGROUND: SB 736, enacted by the 83rd Legislature in 2013, added Insurance Code ch. 544, subch. L to prohibit an insurer from using a different underwriting guideline or charging a different rate for consumers solely because they make inquiries regarding their policies. Sec. 544.552 states that the prohibition applies only to a standard fire, homeowners, or farm and ranch owners insurance policy.

DIGEST: SB 188 would specify that—for the purpose of prohibiting an insurer from using a different underwriting guideline or charging a different rate for consumers who made inquiries regarding their policies—standard fire, homeowners, or farm and ranch owners insurance policies would include policies written by:

- a farm mutual insurance company;
- a county mutual insurance company;
- a Lloyd’s plan; and
- a reciprocal or inter-insurance exchange.

The bill would take effect September 1, 2015, and would apply only to an underwriting decision or a rate for an insurance policy delivered, issued, or renewed, on or after that date.

SUPPORTERS SAY: SB 188 would expand existing provisions that protect homeowners by preventing insurance companies from raising their rates or canceling their policies if policyholders ask questions about their coverage. Homeowners should feel comfortable contacting their insurance carriers with questions and concerns without fearing that they could lose their coverage or see their rates increase.

The bill would expand the protections put in place by SB 736 to include policies written by a farm mutual insurance company, a county mutual insurance company, a Lloyd's plan, and a reciprocal or inter-insurance exchange, which account for more than half the insurance market in Texas.

OPPONENTS SAY: SB 188 would create an unnecessary layer of regulation aimed at preventing a practice that is uncommon. The insurance industry already is heavily regulated, and insurers would be unlikely to cancel a policy or raise a rate merely because a policyholder inquired about a policy.