

ANALYSIS

Senate Research Center
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C.S.S.B. 1655
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

C.S.S.B. 1655 would create new transparency mechanisms designed to make the Texas insurance market more efficient, and to help customers understand, navigate, and find the best deal in the market.

Currently, the Texas Department of Insurance (TDI) has a number of programs in place to help customers shop the insurance market in a way that saves them money. TDI, with the Office of Public Insurance Counsel, also has access to information and expertise that could illuminate aspects of the insurance market and provide guidance to policymakers about how to make insurance more efficient, accessible, and affordable for customers.

C.S.S.B. 1655 calls for a comprehensive study of the Texas homeowners and automobile insurance markets, looking at a range of factors that include strategies that have the potential to reduce rates over time and in a sustainable way. It requires TDI and insurers to make customers more aware of the state website where customers can compare premiums and coverages of different insurers' policies. C.S.S.B. 1655 also requires insurers do more to alert customers to changes in their policies, coverages, and rates.

C.S.S.B. 1655 amends current law relating to transparency and propagation of information regarding personal automobile and residential property insurance rates, policies, and complaints.

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. Provides that this Act shall be known as the Texas Insurance Consumer Awareness and Affordability Act.

SECTION 2. Amends Subchapter B, Chapter 32, Insurance Code, by adding Sections 32.024 and 32.025, as follows:

Sec. 32.024. TEXAS RESIDENTIAL PROPERTY INSURANCE STUDY. (a)
Defines, in this section, "residential property insurance."

(b) Requires the Texas Department of Insurance (TDI) and the office of public insurance counsel (OPIC) to study:

(1) residential property insurance rates in this state;

(2) regulatory changes with the potential to lower residential property insurance rates over time in a sustainable manner;

(3) practices by individual companies that have the effect of lowering residential property insurance rates or increasing customer satisfaction over time in a sustainable manner;

- (4) other states' laws that have the effect of lowering residential property insurance rates over time in a sustainable manner;
- (5) the impact of weather events on residential property insurance rates in this state;
- (6) in an effort to identify practices that lower insurance rates, the similarities and differences between the residential property insurance market and the commercial property insurance market in this state;
- (7) industry practices and regulatory changes that encourage policyholders to learn more about the insurance market and to actively shop for insurance alternatives, and that overcome technological barriers facing certain consumers or groups of consumers;
- (8) industry practices and regulatory changes that encourage mid-level and small-level carriers to compete for increased market share and that attract new carriers to Texas;
- (9) the role of general economic factors such as inflation and changes in the costs of certain products and services in the setting of insurance rates;
- (10) the effects of fraud on insurance rates and strategies to reduce fraud in this state;
- (11) practices that increase efficiency and decrease administrative costs in the requests for information and data by TDI and the conveyance of information and data by companies; and
- (12) the effect of the market cycle by which insurance costs underwriting criteria change due to economic factors on the affordability and availability of insurance.

(c) Requires TDI and OPIC, not later than September 1, 2012, to submit to the governor, the lieutenant governor, the speaker of the house of representatives, and the appropriate standing committees of the legislature a report regarding the results of the study conducted under Subsection (b), together with any recommendations for legislation. Requires TDI and OPIC to list their recommendations separately if joint recommendations cannot be made.

(d) Provides that this section expires January 1, 2013.

Sec. 32.025. TEXAS PERSONAL AUTOMOBILE INSURANCE STUDY. (a) Defines, in this section, "personal automobile insurance."

(b) Requires TDI and OPIC to study:

- (1) personal automobile insurance rates in this state;
- (2) regulatory changes with the potential to lower personal automobile insurance rates over time in a sustainable manner;
- (3) practices by individual companies that have the effect of lowering personal automobile insurance rates or increasing customer satisfaction over time in a sustainable manner;
- (4) other states' laws that have the effect of lowering personal automobile insurance rates over time in a sustainable manner;

(5) in an effort to identify practices that lower insurance rates, the similarities and differences between the personal automobile insurance market and the commercial automobile insurance market in this state;

(6) industry practices and regulatory changes that encourage policyholders to learn more about the insurance market and to actively shop for insurance alternatives, and that overcome technological barriers facing certain consumers or groups of consumers;

(7) industry practices and regulatory changes that encourage mid-level and small-level carriers to compete for increased market share and that attract new carriers to Texas;

(8) the role of general economic factors such as inflation and changes in the costs of certain products and services in the setting of personal automobile insurance rates;

(9) the effects of fraud on insurance rates and strategies to reduce fraud in this state;

(10) the number of uninsured drivers in this state, the effects they have on personal automobile insurance rates, and strategies for reducing the number of uninsured drivers;

(11) practices that increase efficiency and decrease administrative costs in the requests for information and data by TDI and conveyance of information and data by companies; and

(12) the effect of the market cycle by which insurance costs and underwriting criteria change due to economic factors on the affordability and availability of insurance.

(c) Requires TDI and OPIC, not later than September 1, 2012, to submit to the governor, the lieutenant governor, the speaker of the house of representatives, and the appropriate standing committees of the legislature a report regarding the results of the study conducted under Subsection (b), together with any recommendations for legislation. Requires TDI and OPIC to list their recommendations separately if joint recommendations cannot be made.

(d) Provides that this section expires January 1, 2013.

SECTION 3. Amends Section 32.102, Insurance Code, as follows:

Sec. 32.103. PUBLIC INFORMATION CONCERNING INTERNET WEBSITE. Requires TDI and the office of public insurance counsel (OPIC) to publicize the existence of the Internet website required by this subchapter in a conspicuous manner on any websites, correspondence, or publications created by TDI or OPIC as part of the program to facilitate resolution of policyholder complaints as provided by Section 521.002.

SECTION 4. Amends Section 32.104, Insurance Code, by amending Subsection (b) and adding Subsections (c) and (d), as follows:

(b) Requires an insurer to provide in a conspicuous manner with each residential property insurance or personal automobile insurance policy issued in this state and on any correspondence sent from the insurer to an insured notice of the Internet website required by this subchapter. Provides that an insurer is not required to provide the notice on a separate document if the notice is included on the policy or correspondence. Provides that an insurer that transacts business electronically and provides conspicuous notice of

the Internet website required by this chapter on the insurer's website is not required to comply with this subsection.

(c) Requires, to the extent possible, an insurance agent who sells a residential property insurance or personal automobile insurance policy, at the time of the initial sale, to advise the customer verbally, electronically, or in writing of the Internet website maintained under this subchapter.

(d) Requires that a renewal of a residential property insurance or personal automobile insurance policy include the location of TDI's Internet website prominently displayed on the declarations page of the renewal policy.

SECTION 5. Amends Section 521.052, Insurance Code, as follows:

Sec. 521.052. INFORMATION PROVIDED. (a) Creates this subsection from existing text. Requires TDI to provide to the public through TDI's toll-free telephone number only the following information:

(1) information collected or maintained by TDI relating to the number and disposition of complaints received against an insurer that are justified, verified as accurate, and documented as valid, expressed as a percentage of the total number of insurance policies written by the insurer and in force on December 31 of the preceding year;

(2) the rating of an insurer, if any, as published by a nationally recognized rating organization;

(3) the kinds of coverage available to a consumer through any insurer writing insurance in this state;

(4) an insurer's admitted assets-to-liabilities ratio; and

(5) other appropriate information collected and maintained by TDI.

(b) Requires TDI to make the information described by Subsection (a)(1) available to the public through TDI's Internet website.

SECTION 6. Amends Section 551.054, Insurance Code, by adding Subsections (d) and (e), as follows:

(d) Requires an insurer that refuses to renew a residential property insurance policy or a personal automobile insurance policy but offers a different policy in the place of that policy to provide to the insured:

(1) a table that clearly lists the premium charged under the original policy, the premium charged under the new policy, and the percentage change, if any, between those amounts;

(2) an explanation, in plain language, of any changes in the coverage under the new policy; and

(3) notice of TDI's Internet website that is designated by TDI to help consumers compare premiums and coverages of different insurer's policies.

(e) Requires the commissioner of insurance (commissioner) to adopt appropriate wording for notice under Subsection (d).

SECTION 7. Amends Subchapter B, Chapter 2301, Insurance Code, by adding Sections 2301.0535, 2301.0536, and 2301.0537, as follows:

Sec. 2301.0535. REQUIRED INFORMATION IN RENEWAL POLICY. (a) Requires an insurer, at the time a residential property insurance policy or a personal automobile insurance policy is renewed:

(1) a table that conspicuously and clearly lists the premium charged under the policy before renewal, the new premium charged under the renewal policy, and the percentage change, if any, between those amounts; and

(2) notice of TDI's Internet website designated by TDI to help consumers compare premiums and coverages of different insurers' policies.

(b) Requires the commissioner to adopt appropriate wording for notice under this section.

Sec. 2301.0536. UPDATED POLICY REQUIRED. Requires the insurer, on request from the consumer, at any time there is a change in the coverage of a residential property insurance policy or personal automobile insurance policy, to provide the consumer with an updated declarations page and the policy form that was changed. Requires the insurer to inform the insured of the insured's right to request and updated copy of the policy that identifies the changes.

Sec. 2301.0537. STATEMENT OF DEDUCTIBLE. (a) Requires that a residential property insurance policy, personal automobile insurance policy, or other document that expresses a deductible as a percentage of the coverage amount state the actual dollar amount of the deductible next to the percentage.

(b) Requires that the policy or document, if a residential property insurance policy or personal automobile insurance policy includes an endorsement or other provision that includes a variable deductible or a deductible with an escalator clause, explain how the deductible will be calculated and provide an example of how the deductible will be calculated, stating the actual dollar cost for the example.

SECTION 8. Makes application of Sections 32.104(d), 551.054(d), 2301.0535, 2301.0536, and 2301.0537, as added by this Act, prospective to January 1, 2012.

SECTION 9. Effective date: September 1, 2011.