

BILL ANALYSIS

Senate Research Center
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H.B. 2776
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Business & Commerce
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Interested parties observe that the optional premium discount that an insurer that issues residential property insurance is authorized to provide applies at renewal for customers that have a demonstrated claim-free experience with the company with which they are currently insured. The parties contend that providing the commissioner of insurance with broader authority to approve other types and amounts of actuarially supported claim-free discounts and loss experience rating programs offered by other companies will benefit consumers. H.B. 2776 seeks to address this issue.

H.B. 2776 amends current law relating to certain premium discounts and rating programs for certain residential property insurance policies.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 3 (Section 2006.055, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the heading to Chapter 2006, Insurance Code, to read as follows:

CHAPTER 2006. PREMIUM RATE DISCOUNTS AND RATING PROGRAMS

SECTION 2. Amends the heading to Subchapter B, Chapter 2006, Insurance Code, to read as follows:

SUBCHAPTER B. OPTIONAL PREMIUM DISCOUNTS AND RATING PROGRAMS FOR CERTAIN RESIDENTIAL PROPERTY INSURANCE POLICIES

SECTION 3. Amends Sections 2006.053, 2006.054, and 2006.055, Insurance Code, as follows:

Sec. 2006.053. New heading: APPROVAL OF CERTAIN ACTUARIALLY JUSTIFIED PREMIUM DISCOUNTS AND RATING PROGRAMS. Authorizes the commissioner of insurance (commissioner) to approve:

(1) a premium discount filed with the Texas Department of Insurance (TDI) that is greater or less than the discount specified by Section 2006.052 (Optional Premium Discount), rather than this subchapter, if the commissioner determines the discount is actuarially justified; or

(2) a rating program filed with TDI that is based on claim or loss experience and is not a discount described by Section 2006.052 or Subdivision (1) if the commissioner determines the program is actuarially justified.

Sec. 2006.054. LIMIT ON PREMIUM DISCOUNT. Provides that an insurer that provides a premium discount under Section 2006.052, rather than this subchapter, is not required to provide the discount in an amount that exceeds 10 percent of the premiums that would otherwise be charged for the residential property insurance policy.

Sec. 2006.055. RULES AND GUIDELINES. (a) Requires the commissioner to adopt rules as necessary to implement Section 2006.052, rather than this subchapter.

(b) Requires the commissioner by rule to establish guidelines under which an insurer that provides a premium discount under Section 2006.052, rather than this subchapter, is required to determine the appropriate discount based on sound actuarial principles.

SECTION 4. Provides that Section 2006.053, Insurance Code, as amended by this Act, applies only to an insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2016. Makes application of this Act prospective to January 1, 2016.

SECTION 5. Effective date: September 1, 2015.