

BILL ANALYSIS

Senate Research Center

H.B. 949
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Engrossed

DIGEST AND PURPOSE

Currently, the Texas Administrative Code states that if a small employer carrier varies the rates of small employer plans based on group size, the highest rate factor is prohibited from exceeding the lowest rate factor by more than 20 percent. However, this rule is difficult to enforce. The Insurance Code contains no enabling statute for this rule and some small employer carriers are using certain risk characteristics as the basis for varying small employer premiums by a substantial premium percent. H.B. 949 codifies the 20 percent rating corridor rule and requires the risk load for a particular small employer group to reflect the risk characteristics of the group.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, agency, or institution.

SECTION BY SECTION ANALYSIS

H.B. 949 amends the Insurance Code to prohibit a small employer carrier from directly or indirectly using as a criteria for establishing a separate class of business the number of employees and dependents of a small employer or, except when the small employer carrier provides coverage to one or more employer-based association groups, the trade or occupation of the employees of a small employer or the industry or type of business of the small employer.

Furthermore, the bill requires small employer carriers to develop premium rates for each small employer group through a two-step process set forth in the bill. The bill requires the risk load assessed to a particular group to reflect the risk characteristics of the group. The bill authorizes a small employer carrier to use the number of employees and dependents of a small employer as a case characteristic in establishing premium rates for the group and prohibits the highest rate factor associated with a classification based on the number of employees and dependents of a small employer from exceeding by more than 20 percent the lowest rate factor associated with a classification based on the number of employees and dependents of a small employer.

Effective date: September 1, 2001.