

BILL ANALYSIS

Senate Research Center
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S.B. 14
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AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

S.B. 14, 78th Legislature, Regular Session, 2003, created an entirely new insurance regulatory system in Texas. As a result of many successful provisions in the bill, insurance rates have decreased and companies are returning to the market and competing again.

Despite the overall success of last session's S.B. 14, two insurance companies have effectively used Texas's court system to their advantage. One company is still in the court system disputing the Texas Department of Insurance's (TDI) initial rate adjustment and their customers (who represent thousands of Texas consumers) have yet to see the rate reductions they were promised last session.

As proposed, S.B. 14, 79th Legislature, Regular Session, 2005, addresses this issue by amending the Insurance Code to provide that if the commissioner of insurance (commissioner) disapproves a rate filing and the insurance company appeals, any subsequent rate filings by the insurer are subject to prior approval by the commissioner. In addition, the commissioner can order refunds, issue a cease-and-desist order, and assess an administrative penalty against an insurer.

S.B. 14 also amends Article 5.144, Insurance Code, to refund excessive or unfairly discriminatory premium at a rate of prime plus six percent on amounts that are more than 7.5 percent of the total premium charged for the coverage. If the excessive or unfairly discriminatory premium is less than 7.5 percent, the insurer is required to provide each affected policyholder a future premium discount in the amount of the overcharge at the prime rate plus six percent.

S.B. 14 sets interest rates on unfair or discriminatory premiums in such a way to discourage companies from using the court system to gain a financial incentive. The goal of this legislation is to give the commissioner additional tools to return excessive and unfair premium payments to the policy holders as quickly as possible.

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. Amends Section 7, Article 5.13-2, Insurance Code, by adding Subsections (d) and (e), as follows:

(d) Provides that a new rate filing that is made by an insurer whose rate is disapproved under Subsection (c) of this section and that is made on or after the date of the written notice required under Subsection (c) of this section is subject to prior approval by the commissioner of insurance (commissioner) until the expiration of any appeal period related to a hearing conducted under Subsection (c) of this section.

(e) Authorizes the commissioner to perform certain actions in conjunction with a hearing required under Subsection (c) of this section.

SECTION 2. Amends Article 5.144, Insurance Code, by amending Subsection (b) and by adding Subsection (b-1), as follows:

(b) Eliminates Article 5.101 of this code as a means to provide a description of excessive insurance rates and adds interest on the amount of a premium as a cost subject to refund. Makes conforming changes.

(b-1) Provides that the rate for interest assessed under Subsection (b) of this section is the prime rate for the calendar year in which the order is issued plus six percent. Provides that, for the purposes of this subsection, the prime rate is the prime rate as published by the Wall Street Journal for the first day of that calendar year that is not a Saturday, Sunday, or legal holiday. Provides that the interest accrues beginning on the date on which the insurer first charged the excessive or unfairly discriminatory rate, as determined by the commissioner, and continues to accrue until the refund is paid.

SECTION 3. Makes application of this Act prospective to January 1, 2006.

SECTION 4. Effective date: September 1, 2005.