

SUBJECT: Notice for withdrawing higher insurance premiums from escrow accounts

COMMITTEE: Financial Institutions — favorable, without amendment

VOTE: 7 ayes — Averitt, Denny, Ehrhardt, Elkins, Grusendorf, Marchant, Juan Solis
0 nays
2 absent — Solomons, Pitts

WITNESSES: For — Robert C. Huxel, Farmers Insurance Group
Against — None
On — David Durden, Texas Department of Insurance

BACKGROUND: The Texas Insurance Code Art. 21.57 requires an insurance company to give policy-holders 30-day advance notice of a proposed premium increase if the premium is automatically withdrawn from a traditional bank account. Insurers must provide policy-holders with a prepaid postage form for the consumer to dispute the increase. The policy-holder must return the form to the insurer five days before the increase takes effect or waive objection.

The Texas Insurance Code Art. 21.57(d) has different deadlines for premiums automatically withdrawn from an escrow account for policies insuring property under a deed of trust. The insurance company must notify the insured of a proposed premium increase 60 days before the increase takes effect. The insured has 30 days before the increase takes effect to file a written objection.

DIGEST: HB 2284 would repeal the Texas Insurance Code Art. 21.57(d) and end the special notice requirement for premium increases to policies insuring property under a deed of trust that automatically are withdrawn from an escrow account. Those policies would be subject to the 30-day notice requirement and five-day objection period applied to other insurance policies.

HB 2284 would take effect September 1, 1999.

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SUPPORTERS
SAY:

HB 2284 would make uniform the notice and objection period for all types of insurance policies when increased premiums are to be withdrawn from an escrow account. In practice, there now is only a five-day difference in the objection period between the two notice requirements in the current law. Those with policies insuring property under a deed of trust are notified 60 days before a premium increase and have 30 days to object. Those with other insurance policies are notified 30 days before a premium increase and have 25 days to object. This five-day difference is negligible considering the cost and effort involved in administering two different notice requirements. Real estate professionals, insurance companies, and the public would be better served by a single, standard notice requirement.

OPPONENTS
SAY:

No apparent opposition.