

BILL ANALYSIS

Senate Research Center

H.B. 1662
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Economic Development
5-18-97
Engrossed

DIGEST

Currently, county mutual insurance companies are not subject to rate regulation for automobile insurance. Insurers that are subject to rate regulation under the benchmark rate and flexibility program have transferred business from the rate regulated company to an affiliated county mutual insurance company, thereby removing rate regulation for automobile insurance and eliminating assignments from the assigned risk plan (TAIPA). County mutual insurance companies are not subject to assignments from TAIPA.

H.B. 1662 eliminates the circumvention of the flexible rating program by prohibiting any county mutual insurance company from using a rate for an insured on a private passenger automobile after application of all discounts, that is lower than the highest flexibility band for automobile insurance. This prohibition only applies to a county mutual insurance company that is directly or indirectly controlled by a holding company that also directly or indirectly controls another insurance company writing private passenger automobile insurance in Texas.

PURPOSE

As proposed, H.B. 1662 establishes rates for certain lines of insurance.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 3, Article 5.101, Insurance Code, by adding Subsection (r), to prohibit a county mutual insurance company (company) from using a rate for an insured on private passenger automobile insurance, other than insurance on mobile homes and single interest insurance, that, after the application of all discounts and policy fees, is lower than the highest rate allowed under the flexibility band for that line, if the company is directly or indirectly controlled by a holding company that also directly or indirectly controls another insurance company which writes private passenger automobile insurance in Texas.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 1997.

SECTION 4. Emergency clause.