

BILL ANALYSIS

Senate Research Center
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S.B. 901
By: Sibley
Economic Development
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DIGEST

Currently, trade associations often establish group insurance programs for their members, including health and general business coverage. A common feature of these programs is that insurers are allowed to rebate dividends to group members in a successful year. In Texas, dividend sharing is permissible for certain health insurance programs and worker's compensation policies; however, insurers are not allowed to provide dividends to special group members or associations for auto and general liability programs. S.B. 901 would allow insurers to share its profits with policyholders who are part of a group program established by a nonprofit business association and who participate in the group program because of membership in the association.

PURPOSE

As proposed, S.B. 901 regulates dividends payable to policyholders under certain group insurance programs.

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 Article 5.08, Insurance Code, to provide that nothing in this article, rather than subsection, shall be construed as prohibiting an insurer from sharing its profits. Prohibits certain distribution from being made or established except on the approval of the commissioner of insurance (commissioner), rather than Board of Insurance Commissioners (board). Provides that this article does not prohibit an insurer, upon approval by the commissioner, from sharing profits with policyholders who are part of a group program established by a nonprofit business association and who participate in the group program because of membership in the association. Requires an insurer that elects to make distributions under this subsection to file a written description of its distribution program with the commissioner for approval and to notify the commissioner in writing of each distribution made under the program. Requires the commissioner to act on the insurer's distribution program within five business days of receipt of the insurer's distribution program, otherwise the distribution program shall be deemed approved. Defines "nonprofit business association." Makes conforming changes.

SECTION 2. Amends Article 5.20, Insurance Code, to provide that, except as provided by this article, no insurer or employee thereof, and no broker or agent shall knowingly issue any insurance policy, nor charge, demand, or receive, a premium thereon except in accordance with the applicable filing which has been approved by the commissioner. Makes conforming changes.

SECTION 3. Emergency clause.
Effective date: upon passage.