

## **BILL ANALYSIS**

Senate Research Center

H.B. 1162  
By: Eiland (Jackson)  
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Engrossed

### **DIGEST AND PURPOSE**

The Texas Windstorm Insurance Association (association) is comprised of all property insurers authorized to transact property insurance in Texas. Under current law, the association is required to issue property insurance covering insurable property in the 14 Texas counties contiguous with the Gulf of Mexico. The association writes both commercial and residential risk plans in these counties. Rates for commercial policies are set each year by the commissioner of insurance (commissioner) at an open meeting and may not be contested. Residential policy rates, determined as part of the annual benchmark rate hearing process, are contestable. Contesting the residential policy rates is an expensive process in terms of time consumed as well as the financial cost. H.B. 1162 authorizes the commissioner to set rates for residential policies issued by the association in the same manner in which commercial rates are set.

### **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 8(h), Article 21.49, Insurance Code, as follows:

(h)(1) Provides that each rate established by the commissioner of insurance (commissioner) in accordance with this section, rather than Chapter 5, Insurance Code, is required to be uniform throughout the first tier of coastal counties. Deletes text regarding extended coverage benchmark rate, flexibility band, and promulgated rate.

(2) Requires the Texas Windstorm Insurance Association (association), not later than August 15, rather than August 1, of each year, to file with the Texas Department of Insurance (department) for approval by the commissioner a proposed manual rate for all types, rather than commercial risks, and classes of risks written by the association. Provides that Chapter 40, rather than Article 1.33B, of this code does not apply to a filing made under this subsection or a department action with respect to the filing. Deletes text regarding subdivision. Deletes text regarding rates for noncommercial windstorm and hail insurance. Deletes text prohibiting the association from filing more than once annually. Makes a nonsubstantive change.

(3) Redesignates existing Subsection (4) as (3).

(4) Redesignates existing Subsection (5) as (4).

(5) Requires the department to file with the Texas Register notice that a filing has been made under Subdivision 2, rather than 3, of this subsection not later than the seventh day after the date the filing is received by the department.

(6) Requires the commissioner, after the conclusion of the open meeting, to approve or disapprove or modify the filing in writing on or before November 15, rather than November 1, of the year in which the filing is made or the filing is deemed approved. Authorizes the association to file with the commissioner, not later than 30, rather than 10, days after the date on which the association receives the commissioner's written disapproval, an amended filing bringing the filing into conformity with all criteria stated in the commissioner's written disapproval.

(7) Requires the commissioner, within 30 days after the amended filing is received, to approve without changes, approve as modified by the commissioner, or disapprove an amended filing or it is deemed approved.

(8) Requires the association, unless a different period is requested by the association and approved by the commissioner, to provide the information to the commissioner not later than the fifth day after the date on which the written request for additional supporting information is delivered to the association.

(9) Prohibits a rate established and authorized by the commissioner under this subsection from reflecting an average, rather than annual premium, rate change that is more than 10, rather than 15, percent higher or lower than the rate for commercial or 10 percent higher or lower than the rate for noncommercial windstorm and hail insurance in effect on the date the filing is made. Prohibits the rate from reflecting a rate change for an individual rating class that is 15 percent higher or lower than the rate for that individual class in effect on the date the filing is made. Provides that this subdivision expires December 31, 2005. Deletes text regarding rate classification. Makes nonsubstantive changes.

(10) Redesignates existing Subsection (11) as (10).

(11) Provides that the catastrophe element used to develop rates under this Act applicable to risks written by the association is required to be uniform throughout the seacoast territory. Deletes text regarding extended coverage and rates promulgated by the commissioner. Requires the catastrophe element of the rates to be developed using certain factors.

(12) Requires the noncatastrophe element of the noncommercial rates to be developed using certain factors.

(13) Requires the noncatastrophe element of the commercial rates to be developed using 100 percent of both the loss experience and related premium income for the association for covered property using the most recent 10 years of experience available.

(14) Prohibits surcharges collected in the past and used in the development of current, rather than manual, from being excluded from future rate development as long as those surcharges were collected during the experience period considered, rather than used, by the commissioner.

(15) Requires the department, not earlier than March 31 of the year before the year in which a filing is to be made, to value the loss and loss adjustment expense data to be used for the filing.

(16) Requires the department, not later than June 1 of each year, to provide the experience data to be used in establishing the rates under this subsection in that year to the association and other interested persons. Requires the insurer, on request from the

department, to provide the data to the department or the department is authorized to obtain the data from a designated statistical agent, as defined by Section 38.201 of this code.

(17) Redesignates existing Subsection (13) as (17).

SECTION 2. Effective date: September 1, 2001.