

BILL ANALYSIS

Senate Research Center
80R21106 KCR-F

C.S.H.B. 3358
By: Smithee (Ellis)
Business & Commerce
5/18/2007
Committee Report (Substituted)

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 the insurance market in Texas is once again competitive.

Despite the overall success of S.B. 14, certain insurance companies have effectively used the Texas court system to their advantage. As a result of these companies disputing the Texas Department of Insurance's (TDI) initial rate adjustment, thousands of Texas consumers have yet to see the rate reductions they were promised after the 78th legislative session.

C.S.H.B. 3358 creates a disincentive for insurers to extend the rate approval process. Under this bill, if an insurer files a petition for judicial review in response to a rate decision made by TDI, the insurer would have to use the rate in effect at the time the appeal is filed. This bill requires the commissioner of insurance to issue an order specifying the reasons for the rate filing. The bill prevents an insurer from filing and using a higher rate before the appeal is resolved, unless the new rate is directly approved by TDI.

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 2251.151, Insurance Code, by adding Subsections (a-1) and (e), as follows:

(a-1) Requires an insurer, if the insurer files a petition under Subchapter D (Judicial Review), Chapter 36, for judicial review of an order disapproving a rate under this chapter to use the rates in effect for the insurer at the time the petition is filed and prohibits the insurer from filing and using any higher rate for the same line of insurance subject to this chapter (Rates) before the matter subject to judicial review is finally resolved unless the insurer, in accordance with this subchapter (Prior Approval of Rates Under Certain Circumstances), files the new rates with the Texas Department of Insurance, along with any applicable supplementary rating information and supporting information, and obtains the approval of the rate from the commissioner of insurance (commissioner).

(e) Requires the commissioner, if the commissioner requires an insurer to file the insurer's rates under this section (Requirement to File Rates for Prior Approval Under Certain Circumstances), to issue an order specifying the commissioner's reasons for requiring the rate filing. Entitles an affected insurer to a hearing on written request made to the commissioner not later than the 30th day after the date the order is issued.

SECTION 2. Makes application of Section 2251.151(a-1), Insurance Code, as added by this Act, prospective.

SECTION 3. Effective date: September 1, 2007.