

Legislative Update for the Texas Department of Insurance (TDI)
Senate Business and Commerce Committee – October 15, 2013
Julia Rathgeber – Commissioner of Insurance

I. Implementation Update on Business and Commerce Committee Legislation Passed by the 83rd Legislature

SB 112 (Lucio) *Residential Property Declarations Page*

- SB 112 creates the following requirements for residential property insurance policy forms:
 - Insurers must include the declarations page with their policy forms;
 - The declarations page must state the exact dollar amount of each deductible under the policy; and
 - The declarations page, or a page separate from the declarations page, must
 - List and identify each type of deductible under the policy, and
 - Identify or disclose any policy provision or endorsement that may cause the exact dollar amount of a deductible to change.
- Applies to policies delivered, issued for delivery, or renewed on or after January 1, 2014.
- TDI updated its review requirements for policy forms.
- No rules are required to implement the legislation.
- TDI is working with the insurance industry to facilitate a smooth and expedient implementation of SB 112 and its declarations page requirements.

SB 734 (Carona) *Captives*

- SB 734 authorizes the formation of captives in Texas and thereby provides a new mechanism for Texas businesses to insure their own operational risks instead of relying on insurance carriers.
- Implementation of SB 734 is a priority for TDI.
- An informal stakeholder meeting was held this summer to gather input from stakeholders, and stakeholders have provided comments on an informal draft of the rule text.
- TDI staff is in the process of evaluating the comments that were received to prepare the formal proposal for publication. The formal publication will occur within the next month.
- TDI staff has had meetings and phone calls with parties showing interest in domiciling captives in Texas.

SB 736 (Watson) *Consumer Inquiries*

- SB 736 prohibits insurers from:
 - Using an underwriting guideline to decline coverage;
 - Nonrenewing or cancelling a policy; or
 - Charging a different rate based solely on a consumer inquiry.
- Applies to homeowners, dwelling, and farm and ranch owners policies.
- Effective September 1, 2013.

- TDI updated its review requirements for policy forms and underwriting guideline review.
- No rules are required to implement the legislation.
- TDI's Compliance Division and Regulatory Policy Division are monitoring complaints and promptly addressing any compliance issues.

SB 841 (Hancock) *Investment Authority for Insurers*

- SB 841 provides additional authority for insurers, which meet certain financial criteria, to invest in real estate.
- No rules are required to implement the legislation.
- The expanded investment authority is already being used by at least one insurance company and TDI anticipates this number to increase during the interim.
- This legislation was based on one of the legislative considerations in TDI's biennial report to the 83rd Legislature as an effort to increase the number of insurers domesticated in Texas and to stimulate economic growth in the state.

SB 1567 (Davis) *Coverage of Certain Persons under an Automobile Insurance Policy*

- SB 1567 requires the following:
 - Insurers must provide a written disclosure, an oral disclosure, and a contemporaneous written confirmation of oral disclosure for named driver policies at issuance and renewal;
 - TDI's prescribed standard proof of motor vehicle liability insurance form (auto ID card) must include, for a named driver policy, the required disclosure; and
 - All personal auto policies must provide at least the minimum coverage to meet financial responsibility.
- Applies to policies delivered, issued for delivery, or renewed on or after January 1, 2014.
- TDI updated its review requirements for policy forms.
- TDI must amend the current auto ID card rule to include the named driver disclosure and TDI may need to clarify other requirements depending on industry feedback.
- TDI has received 18 filings to date from insurers amending their policies to comply with the new disclosure requirement.

SB 1702 (Taylor/Hinojosa) *Residential Property Insured by TWIA*

- SB 1702 permits certain residential structures which are not in compliance with applicable building code standards to be eligible for coverage through the Texas Windstorm Insurance Association (TWIA).
- The legislation became effective immediately upon passage during the session.
- SB 1702 also requires TWIA to charge a premium based on the rate charged in the voluntary market for the portion of the canceled or non-renewed policy that provides windstorm and hail coverage for the applicable risk, plus an annual premium surcharge of 10 percent.
- TDI is in the process of issuing a data call to private insurers to obtain data needed to establish rates for such risks.

- In the meantime, risks that qualify for TWIA coverage through this provision are being issued temporary binders and charged current TWIA rates. Appropriate premium adjustments will be made once the final rates are established.

II. Texas Windstorm Insurance Association (TWIA)

- TWIA remains under Administrative Oversight by TDI.
- The TWIA Board approved and has submitted a 5% rate increase to TDI, along with a request to increase TWIA policy limits.
- With no significant windstorm events occurring so far, TWIA's financial statements reflect positive results compared to the December 31, 2012 annual report.
- TWIA's deficit has been cut in half approximately.
- TWIA, with TDI's input, is conducting a feasibility study regarding the clearinghouse concept. TWIA will present their results to the Board of Directors at the December meeting.
 - TDI issued a Request for Information (RFI) on September 23, with responses due October 11. The purpose of the RFI is to obtain information that TDI and TWIA can use to determine what elements and features would be required to establish a voluntary coastal wind insurance portal. TDI will compile the responses and provide this information to TWIA to incorporate in their feasibility study.
 - Once the feasibility study is completed, TDI and TWIA will determine the next steps.

III. Interim Effort by TDI in Preparation for the Agency's Biennial Report to the 84th Legislature

- TDI wants to develop its next biennial report on recommended legislation in a transparent and collaborative manner.
- To achieve this goal we are engaged in two outreach efforts: one with the Texas insurance industry and another with consumer advocates in Texas.
- TDI is soliciting recommendations from the industry and consumer groups on how to make Texas a better and smarter regulatory environment. We have already had preliminary meetings and have started to receive recommendations.
- TDI is looking for ideas to improve our statutory framework, reduce the cost of compliance, and identify laws that can be updated, streamlined, or may have outlived their usefulness.
- TDI is also looking for areas where the agency can improve consumer protection efforts.
- TDI's ultimate goals of these two outreach efforts include:
 - Fostering greater competition in the Texas insurance market;
 - Attracting new capital and insurers to Texas; and
 - Better protecting consumers.
- TDI will include the consensus recommendations received from the industry and consumer advocates in the agency's biennial report to the 84th Legislature.