

## 2007 Legislative Report

As the 80<sup>th</sup> Legislative Session came to a close on May 28<sup>th</sup>, six thousand one hundred ninety (6, 190) bills had been filed in the Texas House and Senate for consideration. One thousand four hundred eighty (1,480) of such bills passed with 51 of these bills being ultimately vetoed by the Governor. Over 200 of the bills which were filed would have had an impact on the insurance industry. Bills of interest to Germania which passed are as follows:

**HB 84 – Branch:** Currently a driver’s license or commercial driver’s license is valid for 6 years before it must be renewed. After **September 1, 2007** a driver’s license or commercial driver’s license of a person 85 years of age or older is only valid for two years. Also a driver’s license for any person who is 79 years of age or older cannot be renewed by mail or electronic means. The renewal fee for a driver’s license of a person 75 years of age or older is \$8 and \$25 for a commercial driver’s license.

**HB 586 – Gonzales:** Current law authorizes defendants charged with offenses, other than speeding 25 or more miles over the limit, to take a driving safety course rather than face other penalties. This bill adds an additional prohibition for a defendant driving at a speed higher than 95 miles per hour. This applies only to an offense committed on or after **September 1, 2007**.

**HB 1183 – Otto:** Chapter 75, Civil Practice and Remedies Code, limits landowner liability for certain “recreational” activities that take place on their land. This bill adds “radio control flying and related activities” to the definition of recreation. This applies to a cause of action that accrues on or after **June 15, 2007**.

**HB 2251 – Taylor:** Effective **September 1, 2007** and later, insurers (including farm mutuals) whose internet websites include web page(s) which refer to specific insurance policy or coverage information or which provide an opportunity for an individual to apply for coverage or obtain a quote are subject to the rules adopted by TDI relating to advertising.

Web pages that do not meet the criteria above are still subject to other TDI rules regarding institutional advertising. Also any advertisement that is the same or substantially similar to previously approved advertisement, subject to TDI rules, does not have to be filed with TDI for review.

**HB 2551 –** This bill applies to any insurance policy issued, delivered or issued for delivery on or after **June 16, 2007**, where the company is found to have charged an excessive or unfairly discriminatory rate for personal auto or residential property. It provides that the company must refund the excessive or unfairly discriminatory portion of the rate along with interest accruing from the date TDI provides the company with formal notice until the refund is actually returned. The amount of interest to be charged is the lesser of 18% or Wall Street Journal prime rate +6%.

**HB 2569 – Thompson:** Effective **June 16, 2007**, Chapter 702 of the Texas Insurance Code is repealed. This Chapter applied to insurers authorized to write motor vehicle insurance and established rules for when an insurer or its agent had to provide information about potential motor theft or motor insurance fraud to governmental

agencies.

**HB 2636 – Smithee:** This bill, effective **September 1, 2007**, continues the codification of the Texas Insurance Code.

**HB 2761 – Eiland:** This bill, effective **January 1, 2008**, applies to the purchase or exchange of an annuity as recommended by an insurer or agent to a consumer. It adopts the language from the most recent NAIC model act which requires the agent/insurer to request information from the consumer regarding financial status, including income tax status and investment objectives, to determine if a recommendation to purchase an annuity is reasonable.

**HB 2762 – Eiland:** This bill applies to the replacement of life insurance policies and annuities on or after **January 1, 2008**. This bill imposes notice requirements and duties upon agents and insurers where an insured has an existing life policy.

**HB 3358 – Smithee:** This bill applies to a petition for judicial review of rates disapproved by TDI on or after **September 1, 2007** and requires an insurer requesting judicial review of a TDI rate denial to use the rates in effect before the current rates under judicial review until court resolution of the review. It provides that the company can use new rates that are higher only if prior approval is issued by TDI.

**SB 222 – Ellis:** This bill applies only to a request for placement, removal, or temporary lifting of a security freeze on a consumer file that is made on or after **September 1, 2007**. It allows a consumer to obtain a freeze on a consumer file without the requirement of a police report and authorizes a credit agency to impose a reasonable fee for the implementation of the security freeze or to lift a security freeze that was requested without a police report.

**SB 502 – Averitt:** This bill increases the minimum insurance coverage amounts for financial responsibility on policies issued or renewed on or after **April 1, 2008** to \$25,000/\$50,000 for bodily injury and \$25,000 for property damage. It increases the minimum insurance coverage amounts to \$30,000/\$60,000/\$25,000 on **January 1, 2011**.

**SB 611 – Lucio:** This bill, effective on **May 21, 2007**, provides internet access to company comparisons, requiring exhaustive information to be presented concerning policy types and coverages, rates and credit score models. Requires TDI and OPIC to construct a public website containing this information by September 1, 2008. It applies to the top 25 nationally ranked company groups so Germania is not impacted directly.

**SB 849 – Hegar:** This TAMIC supported bill, effective **May 8, 2007**, removes the requirement that annually farm mutuals produce a list of all individuals who received claim payments and the amount of the payment and the individual rates charged for the year and replaces it with a requirement that the annual report show the total amount of premium paid and the total amount of claims paid in the aggregate and by peril.

**SB 1253 – Averitt:** This bill applies to examinations initiated on or after **September 1, 2007**. It increases the time between required TDI examinations from 3 to 5 years.

**SB 1263 – Brimer:** This bill was signed by the governor and applies to licenses issued or renewed on or after **September 1, 2007**. This bill revises the insurance agent license framework to allow for a “life-only” license and a “personal lines-only” license. TDI

must adopt rules to implement this bill by December 1, 2007.

**SB 1542 – Fraser:** This applies to registration statements or amendments of holding company insurers filed on or after **September 1, 2007**. It requires an insurer to file a registration statement, rather than an amendment to the insurer's registration statement, with TDI and to also furnish a summary of material changes from the prior year's annual registration statement. Deletes the requirement to include a copy of the charter or articles of incorporation and bylaws of the insurer's holding company, each of the insurer's subsidiaries, and any of the insurer's other affiliates.

Probably most significant is what did not pass during the 80<sup>th</sup> Legislative Session. The Texas Windstorm Insurance Association is in dire need of reform to eliminate the burden it places upon the Texas General Revenue Fund, and to eliminate the unlimited assessments which may be imposed on member companies. Prior to the beginning of the 80<sup>th</sup> Legislative Session, both the Texas Windstorm Insurance Association and the Texas Department of Insurance expressed concerns regarding TWIA's growing exposure to losses and its ultimate impact upon the citizens of the State of Texas. Several bills were proposed during the legislative session. HB 2960, authored by Representative Smithee in the House and sponsored by Senator Fraser and Senator Patrick in the Senate went to a conference committee late in the legislative session. Although the conference committee filed a proposed resolution at the end of the legislative session, the conference committee report was not reached prior to the session close. With the expected TWIA exposures to grow to \$60 billion by the end of year 2007, TWIA reform will again be a significant issue for the next legislative session.