

SUBJECT: Establishing certain criteria for insurer ratemaking

COMMITTEE: Insurance — favorable, without amendment

VOTE: 6 ayes — Oliverson, Cain, Caroline Harris, Hull, Paul, Perez
0 nays
3 absent — A. Johnson, Cortez, Julie Johnson

SENATE VOTE: On final passage (May 11) — 20 - 10

WITNESSES: None

BACKGROUND: Some have suggested that prohibiting insurance companies in Texas from using certain standards to determine rates could help ensure insurers charge similar rates for similar hazards and could help prevent external pressures from influencing insurers' business decisions.

DIGEST: SB 833 would prohibit an insurer from using an environmental, social, or governance model, score, factor, or standard to charge a rate different than the rate charged to another business or risk in the same class for essentially the same hazard. The prohibition would apply only to policies issued in Texas and would not require rate filings that was not specifically required under Texas law.

An insurer would not violate the prohibition if the insurer's actions were based on an ordinary insurance business purpose, including the sound use of actuarial principles, or financial solvency considerations reasonably related to loss experience for the different types of risk and coverage that were made available by the insurer.

The bill would specify that it could not be construed or applied to require an insurer to write any line or type of business the insurer did not write or require a material change in the insurer's current business plans. The bill would not be intended to create any type of private cause of action or

independent basis in a civil or criminal proceeding. The bill also would not be intended to prohibit the use of information that was relevant and related to the risk being insured, even if that information may also be used or considered in developing an environmental, social, or governance model, score, factor, or standard.

The bill would not be intended to authorize the Texas Department of Insurance to adopt a rule, model, or standard requiring an insurer to use an environmental, social, or governance model law, regulation, or other standard that had not been specifically authorized by statute, including a rule, model, or standard required by certain federal laws or national organizations, including the National Association of Insurance Commissioners.

SB 688 would identify insurers covered under the bill and would provide that insurers would mean an insurance company or other entity authorized to engage in the business of insurance in Texas.

The bill would take effect September 1, 2023 and would apply only to insurance policies delivered, issued for delivery, or renewed on or after January 1, 2024.