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Insurance News

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Senate Democrats block key insurance legislation

By JAY ROOT Associated Press Writer © 2009 The Associated Press

AUSTIN, Texas — Senate Democrats moved Wednesday to block key insurance legislation as they push for more consumer protections and lower homeowner rates.

Using filibuster rules, Democrats refused to allow debate on a bill that authorizes the Texas Department of Insurance to continue operations. They're pushing for amendments that would give regulators more rate oversight.

"Democrats are fighting to ensure that Texans are no longer required to pay the highest rates in the nation, and are insisting that the legislation reflects a Department of Insurance that will protect consumers," said Sen. Leticia Van de Putte of San Antonio, leader of the Senate Democrats.

Texans pay the highest homeowner rates in the nation. According to the National Association of Insurance Commissioners, the most common homeowner policy cost Texans \$1,409 a year on average, compared to a national average of \$804.

The sponsor of the legislation, Sen. Glenn Hegar, R-Katy, said he was working on a compromise — possibly to be unveiled next Tuesday — but vowed to resist proposals that would give state regulators prior approval of insurance rates.

He said the current regulatory structure, which allows companies to immediately raise rates after notifying the state insurance department, would encourage competition and should be given a chance to work.

"We need to create a stable market in Texas," Hegar said. "There's no magic panacea to fixing rates."

Jerry Johns, president of the Southwestern Insurance Information Service, said his industry objects to giving regulators the ability to pre-approve rates.

"If people want to step back 20 years and have a one size fits all insurance policy and a lack of product choices then prior approval is answer," Johns said.

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The maneuver by Democrats took aim at the insurance "sunset" bill — legislation that allows the department to continue operations after a careful overview of its policies and procedures. Without specific approval from the Legislature, the department would cease to exist after September 2010.

Hegar said he expected his legislation keeping the department alive would be approved, probably next week. The legislative session ends June 1.

In another vote affecting Texas insurance policy, the Senate unanimously approved legislation that would rein in the often eye-popping commissions paid to insurance agents who sell questionable or bogus financial products to elderly Texans.

The industry, including representatives of maligned insurance giant American International Group, Inc., has been fighting hard against increased regulation. In some cases, commissions worth tens of thousands of dollars are being paid to agents who sell annuities that often bilk senior citizens out of much of their retirement nest eggs, officials say.

The bill by Sen. Rodney Ellis, D-Houston, would for the first time allow Texas insurance regulators to limit commissions on annuity sales when companies have demonstrated a pattern of alleged abuse and after officials hold public hearings into the matter.

The legislation would also put limits on annuities with fixed maturity dates. Under current law, the policies can be written so that no benefits are paid until a person reaches up to 115 years of age. To get out of the contract, the elderly citizens then face huge contract surrender charges.

The insurance sunset bill is SB1007

The annuities bill is SB961

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