THOMPSON COE

2007 Property & Casualty Insurance Legislation in Texas

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CONTENTS

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INTRODUCTION

The 80th Legislature adjourned "sine die" on May 28, 2007. 4140 House bills were filed, and over 2058 Senate bills were filed during the 140-day session. 953 House bills were passed into law, and 525 Senate bills were passed.

Insurance law always seems to be a hot topic in any legislative session. Thompson Coe monitored for its property and casualty insurance clients 271 bills, of which 63 became law. This is our biennial report of significant property and casualty insurance legislation. A complete summary of all legislation passed can be provided.

The most significant issue that was introduced but did not pass was reform of the Texas Windstorm Insurance Association (TWIA). HB 2960 died on the last day of the session when both the House and the Senate failed to adopt a conference committee report that would have made important changes to the funding mechanism for TWIA.

Thompson Coe publishes separate property/casualty insurance and life/health insurance newsletters. If you have received only one and would like both, please let us know; and we will forward them to you.

The following is a summary report only and contains brief descriptions of selected important features of the new laws affecting property and casualty insurance. In this report, reference may be made to the effective date of the legislation. This is the date the statute or amendment becomes law. Sometimes the operational changes in the law take effect on a different date than the effective date of the legislative act. Generally, most new laws take effect September 1, 2007.

We caution that this report is not intended to give legal advice, nor is it to be relied on as a complete presentation of the law. Any decision to act or not act should be made only after review of the entirety of the legislation and consultation with legal counsel.

Clients or others who have questions about any of the insurance legislation recently considered by the Texas Legislature should contact one of our attorneys.

WORKERS' COMPENSATION INSURANCE ISSUES

Numerous bills were filed which would have impacted workers' compensation insurance in Texas. There were also numerous bills that died, including legislation setting fee guidelines for providers and payment of attorneys on appeals from the subsequent injury fund. The following is a summary of important workers' compensation insurance legislation that was passed:

Regulation of Third Party Administrators. HB 472 allows the TDI to regulate third party administrators in the workers' compensation system. The following are not third party administrators:

- an employer, other than a certified workers' compensation self-insurer administering an employee benefit plan or the plan of an affiliated employer under common management and control;
- a union administering a benefit plan on behalf of its members;
- a licensed agent;
- a person who adjusts or settles claims in the normal course of the person's practice or employment as a licensed attorney and who does not collect any premium or charge in connection with workers' compensation benefits;
- a licensed adjuster who is engaged in the performance of the individual's powers and duties as an adjuster in the scope of the individual's license; or
- a certified self-insurer.

Insurance companies must perform semi-annual audits of third party administrators. If the third party administrator administers more than 100 certificate holders, injured employees, plan participants, or policyholders on behalf of the insurer, on-site audits are required biennially. HB 472 prohibits an insurer from providing things of value to an administrator based on savings accruing to the insurer because of adverse determinations regarding claims for benefits.

The TDI can issue certificates of authority to applicants under Tex. Ins. Code § 4151.052, as amended by HB 472, beginning September 1, 2007. The sections of HB 472 requiring certificates do not take effect until January 1, 2008. The remainder of HB 472 is effective September 1, 2007.

Voluntary or Informal Networks. HB 473 amended the Labor Code to address the use of "informal" or "voluntary" workers' compensation networks. The original version of HB 473 would have eliminated "voluntary" and "informal" networks completely. Under the final version of HB 473, "voluntary" and "informal" networks will be allowed until January 1, 2011, but will be regulated by the TDI Division of Workers' Compensation (DWC). After January 1, 2011, the insurer will be required to have the "voluntary" or "informal" network certified by the TDI. HB 473 will require insurance carriers using "voluntary" or "informal" networks to enter into certain contractual arrangements, notify the health care provider whether any other party has had access to the "voluntary" or "informal" network contract or fee schedule, provide copies of the contract to the DWC, and allow the insurance carrier to contract with a health care provider for fees that exceed the fees adopted by the DWC. HB 473 also requires an insurer using a "voluntary" or "informal" network

to provide certain information regarding the network to the DWC on a yearly basis.

The section of HB 473 amending Tex. Lab. Code 413.011(d)(4) takes effect January 1, 2011. The remainder of the bill is effective September 1, 2007.

Medical Benefits Dispute Resolution. SB 724 is designed to institute a dispute resolution procedure that complies with a district court's finding that the current method of resolving medical disputes is unconstitutional. Under SB 724, the State Office of Administrative Hearings (SOAH) will hear most medical necessity disputes. Disputes with less than $2000 in controversy and appeals from independent review organization decisions where the billed amount is less than $3000 will be heard at the DWC as contested case hearings. Contested case hearings will be used for all medical dispute resolutions and appeals from decisions of independent review organizations.

SB 724 also allows health insurers to be a sub-claimant where medical benefits were paid that should have been covered by a workers' compensation carrier. A sub-claimant cannot be reimbursed if the payment was previously denied under a workers' compensation preauthorization or medical necessity review for the treatment of a compensable injury. This Act takes effect September 1, 2007.

Licensing requirements for review of certain medical decisions. HB 1003 is intended to address the alleged problem that out-of-state independent review organization doctors were not being subjected to any disciplinary penalties for their actions relating to workers' compensation medical reviews in Texas. HB 1003 requires an independent review organization that uses doctors to perform reviews of health care services in workers' compensation cases to use only doctors licensed to practice in Texas. This Act is effective September 1, 2007.

Timely submission of a claim for payment by a workers' compensation health care provider. Prior to this legislation, a health care provider who erroneously submitted a workers' compensation medical bill to either a health insurer or to the wrong workers' compensation insurer forfeited its rights to recover, if the bill was not submitted to the proper workers' compensation carrier in a timely manner. HB 1005 allows a health care provider to be compensated for services provided to an injured worker, even if the provider does not file the claim in a timely manner with the proper workers' compensation carrier. The health care provider has 95 days after the provider is notified of the erroneous submission of the claim to file the claim with the correct workers' compensation carrier. This Act takes effect September 1, 2007.

Physician licensing requirements for utilization review. HB 1006 requires an insurer or utilization review agent using doctors to perform utilization reviews, retrospective reviews, or peer reviews to use doctors licensed in Texas. This bill was a response to reports from the TDI/DWC that reviews done by in-state doctors are more favorable to the employee more often than reviews done by out-of-state doctors. This bill is also responsive to concerns that out-of-state doctors were not subject to discipline in Texas for their actions relating to a medical review. This Act takes effect September 1, 2007.

Professional specialty certifications. HB 2004 requires a doctor that performs a peer review, utilization review, independent review, or a designated doctor performing a required medical examination or serving as a member of the medical quality review panel to be certified in a professional specialty appropriate to the

care received by the injured worker. Dental services must be reviewed by a dentist licensed to practice in Texas, and chiropractic services must be reviewed by a person licensed in chiropractic services.

There may be some ambiguity relating to the review of chiropractic services. The first section of the bill requires a doctor, other than a chiropractor or dentist, who performs reviews of workers' compensation cases to hold a professional certification in a health care specialty appropriate to the type of health care that the injured employee is receiving. This will, presumably, allow a doctor who holds a health care specialty in a type of health care involving a higher level of specialty than a chiropractor, such as an orthopedic surgeon, to review chiropractic services. Although this seems to be the most logical interpretation of this legislation, it is possible, and should be anticipated, that an argument will be made that HB 2004 allows only chiropractors to perform the specified reviews in workers compensation cases involving chiropractic services. This Act takes effect September 1, 2007.

Cost of copies of medical records for use by an ombudsman. HB 888 requires workers' compensation carriers to pay for the cost of providing the records pursuant to guidelines set out in the bill. This Act takes effect June 15, 2007.

Benefits for certain prosthetic or orthotic devices. SB 458 is designed to ensure that workers' compensation carriers treat artificial limbs as natural limbs for injuries that are compensable under the act. Definitions were added to the Labor Code under health care for prosthetic and orthotic devices. This Act takes effect September 1, 2007.

Claim reporting requirements. Under current law, the data elements required to be reported on each workers' compensation claim are established in statute. SB 471 requires the collection of workers' compensation data based on rules adopted by the commissioner instead of statute and removes specific data elements and reporting requirements in the statute. This Act takes effect September 1, 2007.

Reimbursement of carriers for the overpayment of certain benefits. SB 1169 requires the subsequent injury fund to reimburse an insurance carrier for any overpayment of benefits made by the carrier based on the opinion of a designated doctor, if that opinion is reversed or modified by a final arbitration award, a final order or decision of the Commissioner, or a court. The Commissioner is required to adopt rules to provide for a periodic reimbursement schedule, providing reimbursement at least annually. For certain benefits paid to a part-time employee or an employee with multiple employment, the bill will allow an insurer to be reimbursed for death benefits in addition to income benefits. The bill will take effect September 1, 2007, and applies only to a final arbitration award, order, or decision rendered on or after that date. Additionally, the House added amendments that will allow a benefit review officer to issue interlocutory orders as they were prior to the 2005 workers' compensation reforms. This Act is effective September 1, 2007.

Workers' compensation insurance fraud. SB 1627 amends the Labor Code to allow that a person who commits an offense of fraud under Chapter 418, Labor Code to be prosecuted under that chapter or any other applicable state law. This allows fraud committed in the workers' compensation system to be treated at a level consistent with other types of insurance fraud. This Act is effective June 15, 2007.

Texas Mutual Insurance Company. SB 192 makes it clear that the Texas Mutual Insurance Company is not a state or an executive agency or a governmental entity for any purposes. This Bill reaffirms that the Open Meetings Law and Open Records Law of Chapters 551 and 552 of the Government Code do not apply to Texas Mutual.

The Open Meetings Law and Open Records Law will also not be applicable to the company's confidential investigation files. The Open Meetings Law and Open Records Law will not be applicable to require the company to provide insurance agent information obtained from another insurance agent. The effective date of this Act is May 4, 2007.

Prompt payment penalties. In 2003, the legislature enacted the Texas Prompt Pay Act, Chapter 1301, Insurance Code, which created a graduated penalties scale for late payments of "clean claims." This prompt pay law also applies to workers' compensation carriers using network-preferred providers. The most severe penalty for a late-pay of a clean claim is the total of billed charges plus 18%. SB 1884 amends the Insurance Code by changing the calculation for underpaid claims. Under the amended formula, the penalty increases as the amount of the under payment increases. The maximum penalty for under payments would be the same as for the late payments. This bill increases the period of time that providers have to identify and notify health plans of under payments from the current 180 days to 170 days. Finally, SB 1884 decreases the amount of time that health plans have to correct an underpayment after notification without being penalized from the current 45 days to 30 days.

The change in law is prospective and applies to payment of claims on or after the effective date of the Act, which is September 1, 2007.

AUTO

There were only a few bills that passed that impacted auto insurance this session. One bill that failed was HB 2013, which would have reversed the Texas Supreme Court decision in *Brainard v. Trinity Universal* dealing with the liability of insurers for attorney fees in UM/UIM cases. Another important bill, HB 3281, would have repealed an important tort reform passed in 2003 which limited recovery of medical expenses to expenses that had been actually paid or incurred. HB 3281 was vetoed by the Governor. Legislation that passed this session included the following:

Minimum liability insurance limits. SB 502 increases the minimum limits of liability required by the Texas Motor Vehicle Safety Responsibility Act (TMVSRA) from 20/40 BI liability and /15 PD liability to 25/50/25 in 2008 and to 30/60/25 in 2011. This is the first increase in these limits in over 20 years. The changes are effective April 1st of the years mentioned.

The bill also imposes a duty on the TDI to establish "an outreach program" to inform persons of the requirements of the TMVSRA "to encourage compliance with the financial responsibility requirements." The program must be in English and Spanish. The

requirements for this outreach program expire December 31, 2010.

Fraud reporting requirements regarding motor vehicle insurance. Chapter 702, Insurance Code (Motor Vehicle Theft and Motor Vehicle Insurance Fraud Reporting) requires an insurer to provide any relevant information the insurer has relating to a specific motor vehicle theft or motor vehicle insurance fraud upon written request of a governmental entity. Research indicates that Chapter 702, Insurance Code was the first statute enacted regarding insurance fraud and was not amended or repealed when Chapter 701, Insurance Code was codified. Chapter 701 provides for the comprehensive investigation and reporting of insurance fraud. Some provisions of Chapter 702 conflict with Chapter 701 and each statute contains differing definitions of the same terms. TDI was concerned that these differences could create enforcement problems and provide a defense to challenges against TDI's authority to discipline or prosecute persons committing insurance fraud. HB 2569 repeals Chapter 702 of the Insurance Code to remove conflicting provisions in the Insurance Code regarding the investigation and reporting of insurance fraud. The Act is effective June 16, 2007.

Dismissal of certain speeding charges on completion of a driving safety course. HB 586 prohibits a defendant, who is found guilty of driving at a speed higher than 95 miles per hour and issued a speeding ticket, from taking a driving safety class to dismiss a ticket. This Act is effective September 1, 2007.

Automobile Theft Prevention Authority. The Automobile Theft Prevention Authority (Authority) was established in 1991 to reduce vehicle theft in Texas and functions as the lead organization in a statewide network of law enforcement agencies, prosecutors, insurance industry representatives, local tax assessor-collectors, community organizations, and concerned citizen groups. It awards and monitors grants to agencies, organizations, and concerned parties in an effort to raise public awareness of vehicle theft and implement education and prevention initiatives.

The term "automobile" as it currently exists in the statutes is not synonymous with the term "motor vehicle." Because of this, the Authority may establish an anti-theft program for automobiles, such as trucks and motorcycles, but not for certain other motor vehicles, such as self-propelled farm and construction equipment. This hinders the Authority's anti-theft efforts for these classes of vehicles. Additionally, the term does not mirror language used in other publications, federal reporting standards, or reporting standards by other state jurisdictions.

HB 3225 replaces the term "automobile" with "motor vehicle" throughout the statutes relating to the Authority. The effective date of this Act is June 15, 2007.

REGULATORY

Several bills passed which will affect the TDI and its ability to regulate the business of insurance. There were several TDI-recommended bills that did not pass, including legislation that would have required Lloyds and reciprocals to file rates for commercial property and inland marine; legislation that would have given the Commissioner broad powers to regulate data mining and the use of new technology in developing new classifications; and legislation that would have required foreign companies to maintain their reserves in investments required for domestic companies. The following is a summary of new laws impacting the regulation of insurance:

Recodification. The legislature has been converting the Insurance Code of 1951 to a new Insurance Code which will conform to the uniform standards used by the Legislature. This is a part of the State's continuing statutory revision program where the law is to be re-codified into 27 codes without making substantive change to existing law. This is the fourth and probably the last session where parts of the Insurance Code of 1951 have been recodified.

HB 2636 accomplishes the recodification of the Insurance Code in three main sections. First, Article I of HB 2636 recodifies the remaining parts of the old 1951 Code into the new Code. Article II of HB 2636 updates cross references in previously recodified portions of the Code. Article III of HB 2636 incorporates amendments to statutes that were amended in 2005 that were also recodified in 2005. The portions of the Insurance Code that were recodified in 2005 were effective April 1, 2007. Several statutes that were repealed were also amended by other legislation in 2005. Article III would have placed those amendments into the recodified sections that were part of the 2005 legislation. Article I and Article II of HB 2636 are effective April 1, 2009. Article III is effective September 1, 2007.

Prior approval of rates under judicial review. Section 2251.151, Insurance Code, gives the Commissioner the authority to require an insurer to obtain prior approval of rates, if the Commissioner determines that the insurer's

rates: (1) require supervision because of the company's financial condition or rating practices, or (2) a statewide insurance emergency exists. HB 3358 adds a new subsection to provide that, if an insurer files a petition for judicial review of an order disapproving a rate filing, the insurer must use the rates in effect for the insurer at the time the petition is filed and may not file and use any higher rate for the same line of insurance until the matter subject to judicial review is finally resolved, unless the new rate has received the Commissioner's approval. Another new subsection requires the Commissioner to specify the reasons for requiring prior approval of rates under this section. The new provisions become effective September 1, 2007.

Web Page Advertising. HB 2251 creates a new subchapter in the Insurance Code that includes statutory guidelines as to when an insurer's internet web site may be regulated as an insurance advertisement in this state. The new statute requires an insurer's internet web site to

include all appropriate disclosures and information required by applicable rules adopted by the Commissioner relating to advertising ***only if*** the web page describes: (1) specific policies or coverage or (2) includes an opportunity to apply for coverage or obtain a quote. If permitted by rule, an insurer may comply with this requirement by including a link to a web page that includes the necessary information.

Web pages that do not refer to a specific insurance policy, certificate of coverage, or evidence of coverage, or that do not provide an opportunity for an individual to apply for coverage or request a quote from an insurer are considered institutional advertisements subject to rules adopted by the Commissioner relating to institutional advertising.

An insurer may advertise to the general public policies or coverage available only to members of an association described by Section 1251.052, which include labor unions, membership corporations organized or holding a certificate of authority under the Texas Nonprofit

Corporation Act, and a cooperative or corporation subject to the supervision and control of the Farm Credit Administration. A person may not use an advertisement for an insurance product relating to Medicare coverage unless the advertisement includes in a prominent place the following language or similar language: "Not connected with or endorsed with United States Government or the Federal Medicare program."

An advertisement subject to requirements regarding filing of the advertisement with the TDI that is the same or substantially similar to an advertisement previously reviewed and accepted by the Department is not required to be filed for Department review. The bill takes effect September 1, 2007.

Frequency and expenses of examinations. Examinations of Texas insurance companies have been required once every three years unless the Commissioner determines that the financial strength of the carrier justifies less frequent examinations, in which case the TDI may conduct examinations at intervals not less frequent than every five years. Section 401.052, Insurance Code is amended by SB 1253 to provide that the TDI shall visit and examine a carrier as frequently as the Department considers necessary. At a minimum, the Department shall examine a carrier not less frequently than once every five years. The Commissioner shall adopt the rules governing the frequency of examinations of carriers that have been organized or incorporated for less than five years.

This bill also amends Section 1305.251, Insurance Code to provide that Workers Compensation health care networks are required to pay the expenses of examinations, including the salaries and expenses of the examiners directly attributable to the examination, as determined by rules adopted by the Commissioner. This Act is effective September 1, 2007.

Holding Company Registration Statements. SB 1542 amended Section 823.051, Insurance Code, to conform Texas law to NAIC standards on the filing of Form B registration statements. Under current law, a new registration statement must be filed every 5 years. However, annual filings are required when there are changes to a registration statement. The registration statement in Texas is very detailed and requires a great deal more information than may be filed in other states. The length and complexity of the statement should be reduced and be more uniform with what is filed in other states.

Conversion of a reciprocal or inter-insurance exchange to a stock company through creation of a mutual holding company. SB 1056 provides specific authorization for a reciprocal to convert to a stock company through creation of a mutual holding company. A new Chapter 829 is added to the Insurance Code to provide statutory authority for such a conversion. This act is effective June 15, 2007.

Refunds of excessive or unfairly discriminatory premium. During the 79th Legislature, two different versions of legislation were enacted concerning refunds of excessive or unfairly discriminatory residential property insurance premiums. Because these versions were passed by the legislature at the same time, the rules of statutory construction require that they be read together. The Texas Department of Insurance recommended that these two versions be clarified.

HB 2551 unifies those versions in Section 2254.003, Insurance Code, to provide consistent provisions concerning refunds and the assessment of interest on the refund amount and makes further changes in accordance with the nonsubstantive revisions to the Insurance Code by the Texas Legislative Council. This Act is effective June 15, 2007.

Public Internet access to rate information. SB 611 adds subchapter D to Chapter 32, Insurance Code. The subchapter applies to insurers which comprise the top 25 insurance groups in the national market and which issue residential property insurance or personal automobile insurance policies in Texas. The statute requires the TDI, in conjunction with OPIC, to establish and maintain a single Internet web site that provides information to enable consumers to make informed decisions relating to the purchase of residential property insurance and personal automobile insurance. The website must include a listing of each insurer writing the lines of insurance indexed by each county or zip code in which the insurer is actively writing that insurance. A profile of the insurer must be included. Additionally, the website must contain contact information for the insurer, information on rates charged by the insurer, sample rates for different policyholder profiles in each county or zip code, and the percentage by which the sample rate has fallen or risen during the previous 12, 24, and 36 months. The web site must show an indication of whether the insurer uses credit scoring in underwriting, rating, or tiering. Finally, the insurer's financial rating by AM Best and its complaint ratio should be displayed. If feasible, the web site is to provide a side-by-side comparison of credit scoring models.

Affected insurers must provide TDI any information the TDI and OPIC determine is reasonable or necessary to fulfill their duties under this subchapter.

SB 611 also amends Section 2251.008 by greatly expanding the contents of the "Quarterly Report of Insurers; Legislative Report." This statute currently requires insurers to make quarterly reports of changes in lawsuits, premiums, and market share since January 1, 1993. The addition to the statute requires the insurers to report "any other information the Commissioner determines is necessary to comply with this section." The content of the Commissioner's report to the Governor and the Legislature requires the TDI to identify each insurer's market share; profits and losses; average loss ratio; and whether the insurer submitted a rate filing during the quarter covered in the report. SB 611 requires the Department to establish the Internet web site not later than September 1, 2008.

Personal lines-only licenses. SB 1263 authorizes a new personal-lines-only and life-

only licenses. Such limited licenses allow applicants to take examinations which do not include questions dealing with commercial lines. A personal-lines-only license allows solicitation of personal automobile and residential property type coverages, but not commercial lines of insurance. A life-only license would allow solicitation of life and annuity products, but not accident or health insurance. This Act conforms Texas laws to those of most other states.

Conforming amendments are made to other insurance statutes, granting the personal-lines-only licensee and the life-only licensee equivalent status to a general property and casualty agent licensee and a general life, accident and health agent licensee, respectively. A personal-lines-only agent license may not satisfy the license prerequisite for a surplus lines license.

The effective date of the Act is September 1, 2007; however, the Commissioner is not required to adopt rules until December 1, 2007; and continuing education requirements for these new agent licenses apply to renewals occurring on or after January 1, 2008.

TAX

No new taxes were imposed on insurance companies during this session. There were amendments to the new Texas margin tax which is applicable to most corporate insurance agencies. The following tax bills may be of interest:

Contested cases before the Comptroller. SB 242 transfers all contested cases involving the collection, receipt, administration, and enforcement of taxes administered by the Comptroller to the State Office of Administrative Hearings (SOAH). Susan Combs, the new Comptroller, transferred the administrative law judges to SOAH under an interagency contract earlier this year. SB 242 codifies the transfer of the judges and makes related statutory changes concerning the administrative tax dispute resolution process. This Act is effective June 15, 2007.

CAPCO investments by insurance companies and tax credits. HB 1741 provides for the renewal of the Texas Certified Capital Companies ("CAPCO") program. CAPCO was established to create economic development focused on small and emerging businesses located throughout this state. This program targets certain low-income and rural areas of the state with a guaranteed minimum level of investment. This investment is funded by the securitization of insurance premium tax credits. To accomplish this purpose, legislation was enacted establishing premium tax credits for insurance companies that invested in state-approved certified capital companies.

Insurance companies were granted $200 million in available tax credits for investments in qualified debt instruments during 2005. The current credits are prohibited from being utilized any earlier than 2009 for the 2008 tax year. HB 1741 adds an additional $200 million in available credits for investments in 2007. These credits may be utilized beginning with the tax report due in 2013 for the 2012 tax year. These premium tax credits are authorized to be used at a maximum rate of 25 percent per year. This Act is effective September 1, 2007.

Reciprocal or multi-state agreements relating to premium taxes. HB 3315 clarifies several issues that have led to litigation. First, it

clarifies the taxability of home warranty insurance premiums. HB 3315 amends Section 221.002(b), Insurance Code, to require property and casualty insurers to include the total gross amounts of premiums, membership fees, assessments, dues, revenues, and any other considerations for insurance written by the insurer as taxable premiums.

HB 3315 amends the surplus lines insurance premium tax statutes to provide that the Comptroller may by rule establish that all premiums are considered to be on risks located in Texas if (1) the insured's home office or state of domicile or residence is located in Texas, or (2) as may be necessary to accommodate changes in federal statutes and regulations. Corresponding amendments are made to the unauthorized and independently procured insurance premium tax provisions to mirror the surplus lines tax provisions to allocate premium to Texas. The Comptroller is given the authority to adopt rules to change the trigger amount for the prepayment of surplus lines taxes. Currently surplus lines agents are required to prepay the tax when the accrued tax due is at least $70,000.

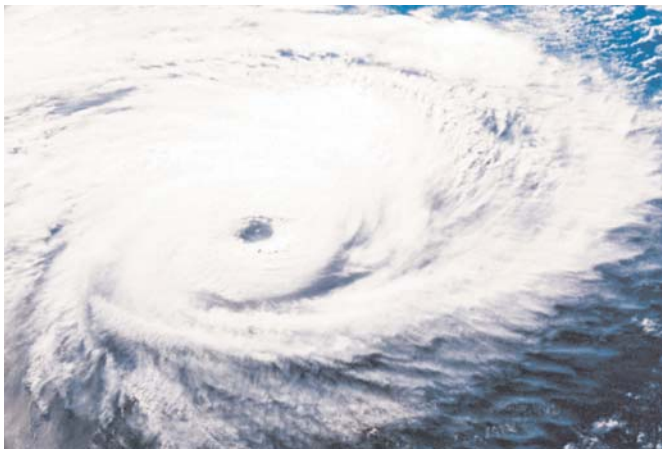
HB 3315 adopts a new Chapter 228, Insurance Code. This Chapter authorizes the Comptroller to enter into agreements or contracts with another state for the collection of surplus lines, unauthorized and independently-procured insurance premium tax. This is designed to accommodate the potential adoption of federal legislation or multi-state compacts to allocate and pay these taxes.

HB 3315 amends the retaliatory tax provisions to allow the Comptroller by rule to enter into reciprocity agreements with other states. The parties can agree to mutually set aside retaliatory provisions in situations in which the contracting states determine that retaliation is not the preferred approach to protect their domestic insurers from excessive taxation or from other financial obligations. This Act is effective June 15, 2007.

PROPERTY

Homeowners insurance issues have dominated the legislative landscape for a number of sessions. This session, HB 2960, would have enacted major reforms for the financing of TWIA by eliminating the unlimited assessments on insurers and authorizing the use of revenue bonds to provide for funding for TWIA after a major hurricane. Unfortunately, HB 2960 died on the last day of the session. There was only one bill of any significance to report on this session for property insurers.

Premium surcharge assessments. SB 978 increases the minimum number of claims from one claim during a three year period to two claims during the same period before an insured can be assessed a premium surcharge. SB 978 applies to a standard fire, homeowners, or farm or ranch owners insurance policy. The Act takes effect September 1, 2007, but applies only to insurance policies delivered, issued for delivery, or renewed on or after January 1, 2008.



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