

INSURANCE CODE

TITLE 10. PROPERTY AND CASUALTY INSURANCE

SUBTITLE H. RATEMAKING IN GENERAL

CHAPTER 2251. RATES

SUBCHAPTER A. GENERAL PROVISIONS FOR RATES

Sec. 2251.001. PURPOSE. The purposes of this subchapter and Subchapters B, C, D, and E are to:

(1) promote the public welfare by regulating insurance rates to prohibit excessive, inadequate, or unfairly discriminatory rates;

(2) promote the availability of insurance;

(3) promote price competition among insurers to provide rates and premiums that are responsive to competitive market conditions;

(4) prohibit price-fixing agreements and other anticompetitive behavior by insurers; and

(5) provide regulatory procedures for the maintenance of appropriate information reporting systems.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Sec. 2251.002. DEFINITIONS. In this chapter:

(1) "Commercial property insurance" means insurance coverage against loss caused by or resulting from loss, damage, or destruction of real or personal property provided through a commercial property insurance policy. The term includes any combination of:

(A) commercial fire or allied lines;

(B) commercial inland marine insurance;

(C) commercial crime coverage;

(D) boiler and machinery insurance other than explosion;

(E) glass insurance provided as part of other coverage; and

(F) as authorized by commissioner rule,

insurance covering other perils or providing other coverages or other lines of first party property insurance.

(1-a) "Disallowed expenses" includes:

(A) administrative expenses, other than acquisition, loss control, and safety engineering expenses, that exceed 110 percent of the industry median for those expenses;

(B) lobbying expenses;

(C) advertising expenses, other than for advertising:

(i) directly related to the services or products provided by the insurer; or

(ii) designed and directed at loss prevention;

(D) amounts paid by an insurer:

(i) as damages in an action brought against the insurer for bad faith, fraud, or any matters other than payment under the insurance contract; or

(ii) as fees, fines, penalties, or exemplary damages for a civil or criminal violation of law;

(E) contributions to:

(i) social, religious, political, or fraternal organizations; or

(ii) organizations engaged in legislative advocacy;

(F) except as authorized by commissioner rule, fees and assessments paid to advisory organizations;

(G) any amount determined by the commissioner to be excess premiums charged by the insurer; and

(H) any unreasonably incurred expenses, as determined by the commissioner after notice and hearing.

(2) "Filer" means an insurer that files rates, prospective loss costs, or supplementary rating information under this chapter.

(3) "Prospective loss cost" means that portion of a rate that:

(A) does not include a provision for expenses or profit, other than loss adjustment expenses; and

(B) is based on historical aggregate losses and loss adjustment expenses projected by development to the ultimate value of those losses and expenses and projected through trending to a future point in time.

(4) "Rate" means the cost of insurance per exposure unit, whether expressed as a single number or as a prospective loss cost, adjusted to account for the treatment of expenses, profit, and individual insurer variation in loss experience, before applying individual risk variations based on loss or expense considerations.

(5) "Rating manual" means a publication or schedule that lists rules, classifications, territory codes and descriptions, rates, premiums, and other similar information used by an insurer to determine the applicable premium charged an insured.

(6) "Residential property insurance" means insurance coverage against loss to real or tangible personal property at a fixed location that is provided through a homeowners insurance policy, including a tenants insurance policy, a condominium owners insurance policy, or a residential fire and allied lines insurance policy.

(7) "Supplementary rating information" means any manual, rating schedule, plan of rules, rating rules, classification systems, territory codes and descriptions, rating plans, and other similar information used by the insurer to determine the applicable premium for an insured. The term includes factors and relativities, including increased limits factors, classification relativities, deductible relativities, premium discount, and other similar factors and rating plans such as experience, schedule, and retrospective rating.

(8) "Supporting information" means:

(A) the experience and judgment of the filer and the experience or information of other insurers or advisory organizations on which the filer relied;

(B) the interpretation of any other information on which the filer relied;

(C) a description of methods used in making a

rate; and

(D) any other information the department receives from a filer as a response to a request under Section [38.001](#).

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](#)), Sec. 2, eff. April 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1147 (H.B. [1951](#)), Sec. 3.004, eff. September 1, 2011.

Acts 2017, 85th Leg., R.S., Ch. 254 (H.B. [1298](#)), Sec. 1, eff. May 29, 2017.

Sec. 2251.003. APPLICABILITY OF CERTAIN SUBCHAPTERS.

(a) This subchapter and Subchapters B, C, and D apply to:

(1) an insurer to which Article 5.13 applies, other than the Texas Windstorm Insurance Association, the FAIR Plan Association, and the Texas Automobile Insurance Plan Association; and

(2) except as provided by Subsection (c), a Lloyd's plan, reciprocal or interinsurance exchange, and county mutual insurance company with respect to the lines of insurance described by Subsection (b).

(b) Except as provided by Section [2251.0031](#), this subchapter and Subchapters B, C, and D apply to all lines of the following kinds of insurance written under an insurance policy or contract issued by an insurer authorized to engage in the business of insurance in this state:

(1) general liability insurance;

(2) residential and commercial property insurance, including farm and ranch insurance and farm and ranch owners insurance;

(3) personal and commercial casualty insurance, except as provided by Section [2251.004](#);

(4) medical professional liability insurance;

(5) fidelity, guaranty, and surety bonds other than criminal court appearance bonds;

(6) personal umbrella insurance;

- (7) personal liability insurance;
- (8) guaranteed auto protection (GAP) insurance;
- (9) involuntary unemployment insurance;
- (10) financial guaranty insurance;
- (11) inland marine insurance;
- (12) rain insurance;
- (13) hail insurance on farm crops;
- (14) personal and commercial automobile insurance;
- (15) multi-peril insurance; and
- (16) identity theft insurance issued under Chapter [706](#).

(c) Sections [2251.008](#), [2251.052](#), [2251.101](#), [2251.102](#), [2251.103](#), [2251.104](#), [2251.105](#), and [2251.107](#) do not apply to a Lloyd's plan or a reciprocal or interinsurance exchange with respect to commercial property insurance, inland marine insurance, rain insurance, or hail insurance on farm crops.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](#)), Sec. 2, eff. April 1, 2007.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. [2636](#)), Sec. 3B.071(a), eff. September 1, 2007.

Acts 2007, 80th Leg., R.S., Ch. 921 (H.B. [3167](#)), Sec. 9.071(a), eff. September 1, 2007.

Acts 2015, 84th Leg., R.S., Ch. 312 (S.B. [1554](#)), Sec. 2, eff. September 1, 2015.

Acts 2021, 87th Leg., R.S., Ch. 42 (S.B. [1367](#)), Sec. 2, eff. September 1, 2021.

Sec. 2251.0031. EXCEPTIONS FOR CERTAIN LINES. (a) Except as provided by Subsection (d), Subchapter C does not apply to any line of the following kinds of insurance written under a commercial insurance policy or contract issued by an insurer authorized to engage in the business of insurance in this state:

- (1) surety bonds;
- (2) fidelity bonds;
- (3) commercial inland marine;
- (4) boiler and machinery;

- (5) environmental impairment or pollution liability;
- (6) kidnap and ransom;
- (7) political risk or expropriation;
- (8) commercial excess liability or umbrella liability;
- (9) directors' and officers' liability;
- (10) fiduciary liability;
- (11) employment practices liability;
- (12) errors and omission and professional liability other than medical professional liability;
- (13) media liability;
- (14) product liability, product recall, or completed operations;
- (15) commercial cybersecurity, including first- and third-party commercial lines coverage for losses arising out of or relating to data privacy breaches, network security, computer viruses, and similar exposures;
- (16) highly protected commercial property;
- (17) commercial flood insurance not provided through the National Flood Insurance Program; or
- (18) any combination of only the kinds of insurance listed in this subsection or exempted under Subsection (c).

(b) For purposes of Subsection (a), "highly protected commercial property" is commercial property that is subject to a much lower than normal probability of loss due to low-hazard occupancy or property type, superior construction, special fire protection equipment and procedures, and management commitment to loss prevention.

(c) The commissioner by rule may exempt a commercial line of insurance or commercial risk not listed in Subsection (a) from the rate filing requirements of Subchapter C to promote enhanced competition or more effectively use the resources of the department that might otherwise be used to review commercial lines filings.

(d) Notwithstanding Subsection (a), the commissioner may temporarily require rate filings under Subchapter C for a specific kind of insurance listed in Subsection (a) for a period of not longer than one year if, after notice and hearing, the commissioner

issues an order that:

(1) includes a finding that a reasonable degree of competition does not exist for that specific kind of insurance; and

(2) specifies the relevant tests and test results used to determine the degree of competition for that kind of insurance.

(e) In the absence of a finding described by Subsection (d) with respect to a specific kind of insurance, a competitive market is presumed to exist for that kind of insurance.

(f) The commissioner may adopt reasonable and necessary rules to implement this section.

Added by Acts 2021, 87th Leg., R.S., Ch. 42 (S.B. [1367](#)), Sec. 3, eff. September 1, 2021.

Sec. 2251.004. REGULATION OF INLAND MARINE RATES. The commissioner shall adopt rules governing the manner in which rates for the various classifications of risks insured under inland marine insurance, as determined by the commissioner, are regulated. Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](#)), Sec. 2, eff. April 1, 2007.

Sec. 2251.005. NOTICE OF RATE INCREASE FOR RESIDENTIAL PROPERTY INSURANCE POLICIES. (a) An insurer shall notify a policyholder of a residential property insurance policy issued by the insurer of a rate increase scheduled to take effect on the policy's renewal that will result in a premium amount to be paid by the policyholder that is at least 10 percent greater than the lesser of:

(1) the premium amount paid by the policyholder for coverage under the policy during the 12-month period preceding the policy's renewal date; or

(2) the premium amount paid by the policyholder for coverage under the policy during the policy period preceding the policy's renewal date.

(b) An insurer shall send the notice required by Subsection (a) before the renewal date and not later than the 30th day before the date the rate increase is scheduled to take effect.

(c) An insurer may send the notice described by Subsection

(a) to any policyholder of a residential property insurance policy issued by the insurer, regardless of whether the policyholder's premium amount will increase as a result of the scheduled rate change.

(d) The commissioner by rule may exempt an insurer from the notice requirements of this section for a short-term policy, as defined by the commissioner, that is written by the insurer.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Sec. 2251.006. CONSIDERATION OF CERTAIN OTHER LAW. In reviewing rates under this chapter, the commissioner shall consider any state or federal law that may affect rates for liability coverage included in an insurance policy subject to this chapter.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Sec. 2251.007. ADMINISTRATIVE PROCEDURE ACT APPLICABLE. Chapter 2001, Government Code, applies to all rate hearings conducted under this chapter.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Sec. 2251.008. ANNUAL REPORT OF INSURER; LEGISLATIVE REPORT. (a) The commissioner shall require each insurer subject to this subchapter to annually file with the commissioner information relating to changes in losses, premiums, and market share since January 1, 1993. The commissioner may require an insurer subject to this subchapter to report to the commissioner, in the form and in the time required by the commissioner, any other information the commissioner determines is necessary to comply with this section.

(b) Annually, the commissioner shall report to the governor, the lieutenant governor, the speaker of the house of representatives, the legislature, and the public regarding:

(1) the information provided to the commissioner, other than information made confidential by law, in the insurers'

reports under Subsection (a); and

(2) market conduct, especially rates and consumer complaints.

(c) The report required by this section must cover a calendar year and:

(1) for each insurer that writes a line of insurance subject to this subchapter, must state the insurer's:

(A) market share;

(B) profits and losses;

(C) average loss ratio; and

(D) whether the insurer submitted a rate filing during the year covered in the report; and

(2) for each rate filing submitted under Subdivision (1)(D), must indicate any significant impact on policyholders, the overall rate change from the rate previously used by the insurer stated as a percentage, and any rate changes for the previous 12, 24, and 36 months.

(d) Except as provided by Subsection (e), the annual report required by this section must be made available to the governor, lieutenant governor, speaker of the house of representatives, legislature, and public not later than the 90th day after the last day of the calendar year covered by the report.

(e) If the commissioner determines that it is not feasible to provide the report required by this section within the period specified by Subsection (d) for all lines of insurance subject to this subchapter, the department:

(1) shall make the annual report, as applicable to lines of residential property insurance and personal automobile insurance, available within the period specified by Subsection (d); and

(2) may delay publication of the annual report as it relates to other lines of insurance subject to this subchapter until a date specified by the commissioner.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](#)), Sec. 2, eff. April 1, 2007.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 151 (S.B. [611](#)), Sec. 2, eff.

May 21, 2007.

Acts 2015, 84th Leg., R.S., Ch. 42 (S.B. [784](#)), Sec. 1.02, eff. September 1, 2015.

SUBCHAPTER B. RATE STANDARDS

Sec. 2251.051. EXCESSIVE, INADEQUATE, AND UNFAIRLY DISCRIMINATORY RATES. (a) A rate is excessive, inadequate, or unfairly discriminatory for purposes of this chapter as provided by this section.

(b) A rate is excessive if the rate is likely to produce a long-term profit that is unreasonably high in relation to the insurance coverage provided.

(c) A rate is inadequate if:

(1) the rate is insufficient to sustain projected losses and expenses to which the rate applies; and

(2) continued use of the rate:

(A) endangers the solvency of an insurer using the rate; or

(B) has the effect of substantially lessening competition or creating a monopoly in a market.

(d) A rate is unfairly discriminatory if the rate:

(1) is not based on sound actuarial principles;

(2) does not bear a reasonable relationship to the expected loss and expense experience among risks; or

(3) is based wholly or partly on the race, creed, color, ethnicity, or national origin of the policyholder or an insured.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](#)), Sec. 2, eff. April 1, 2007.

The following section was amended by the 89th Legislature. Pending publication of the current statutes, see S.B. [2601](#), 89th Legislature, Regular Session, for amendments affecting the following section.

Sec. 2251.052. RATE STANDARDS. (a) In setting rates, an insurer shall consider:

- (1) past and prospective loss experience:
 - (A) inside this state; and
 - (B) outside this state if the data from this state are not credible;
- (2) the peculiar hazards and experiences of individual risks, past and prospective, inside and outside this state;
- (3) the insurer's actuarially credible historical premium, exposure, loss, and expense experience;
- (4) catastrophe hazards in this state;
- (5) operating expenses, excluding disallowed expenses;
- (6) investment income;
- (7) a reasonable margin for profit; and
- (8) any other factors inside and outside this state:
 - (A) determined to be relevant by the insurer; and
 - (B) not disallowed by the commissioner.

(b) A rate may not be excessive, inadequate, unreasonable, or unfairly discriminatory for the risks to which the rate applies.

(c) The insurer may:

- (1) group risks by classification to establish rates and minimum premiums; and
- (2) modify classification rates to produce rates for individual risks in accordance with rating plans that establish standards for measuring variations in those risks on the basis of any factor listed in Subsection (a).

(d) In setting rates that apply only to policyholders in this state, an insurer shall use available premium, loss, claim, and exposure information from this state to the full extent of the actuarial credibility of that information. The insurer may use experience from outside this state as necessary to supplement information from this state that is not actuarially credible.

(e) In determining rating territories and territorial rates, an insurer shall use methods based on sound actuarial principles.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](#)), Sec. 2, eff. April 1, 2007.

SUBCHAPTER C. RATE FILINGS

Sec. 2251.101. RATE FILINGS AND SUPPORTING INFORMATION.

(a) Except as provided by Subchapter D, for risks written in this state, each insurer shall file with the commissioner all rates, applicable rating manuals, supplementary rating information, and additional information as required by the commissioner. An insurer may use a rate filed under this subchapter on and after the date the rate is filed.

(b) The commissioner by rule shall:

(1) determine the information required to be included in the filing, including:

(A) categories of supporting information and supplementary rating information;

(B) statistics or other information to support the rates to be used by the insurer;

(C) information necessary to evidence that the computation of the rate does not include disallowed expenses for personal lines; and

(D) information concerning policy fees, service fees, and other fees that are charged or collected by the insurer under Section [550.001](#) or [4005.003](#); and

(2) prescribe the process through which the department requests supplementary rating information and supporting information under this section, including:

(A) the number of times the department may make a request for information; and

(B) the types of information the department may request when reviewing a rate filing.

(c) This section does not apply to rates for use with an insured that has:

(1) total insured property values of \$5 million or more;

(2) total annual gross revenues of \$10 million or more; or

(3) a total premium of \$25,000 or more for property insurance, \$25,000 or more for general liability insurance, or

\$50,000 or more for multi-peril insurance.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1147 (H.B. 1951), Sec. 3.005, eff. September 1, 2011.

Acts 2015, 84th Leg., R.S., Ch. 42 (S.B. 784), Sec. 1.03, eff. September 1, 2015.

Acts 2021, 87th Leg., R.S., Ch. 42 (S.B. 1367), Sec. 4, eff. September 1, 2021.

Sec. 2251.102. FILING REQUIREMENTS FOR INSURERS WITH LESS THAN FIVE PERCENT OF MARKET. In determining filing requirements under Section 2251.101 for an insurer with less than five percent of the market, the commissioner shall consider insurer and market-specific attributes, as applicable. The commissioner shall determine filing requirements for those insurers accordingly to accommodate premium volume and loss experience, targeted markets, limitations on coverage, and any potential barriers to market entry or growth.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Sec. 2251.103. COMMISSIONER ACTION CONCERNING RATE FILING NOT YET IN EFFECT; HEARING AND ANALYSIS. (a) Not later than the earlier of the date the rate takes effect or the 30th day after the date a rate is filed with the department under Section 2251.101, the commissioner shall disapprove the rate if the commissioner determines that the rate does not comply with the requirements of this chapter.

(b) Except as provided by Subsection (c), if a rate has not been disapproved by the commissioner before the expiration of the 30-day period described by Subsection (a), the rate is not considered disapproved under this section.

(c) For good cause, the commissioner may, on the expiration of the 30-day period described by Subsection (a), extend the period for disapproval of a rate for one additional 30-day period. The

commissioner and the insurer may not by agreement extend the 30-day period described by Subsection (a) or this subsection.

(d) If the commissioner disapproves a rate under this section, the commissioner shall issue an order specifying in what respects the rate fails to meet the requirements of this chapter.

(e) An insurer that files a rate that is disapproved under this section is entitled to a hearing on written request made to the commissioner not later than the 30th day after the date the order disapproving the rate takes effect.

(f) The department shall track, compile, and routinely analyze the factors that contribute to the disapproval of rates under this section.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1147 (H.B. 1951), Sec. 3.006, eff. September 1, 2011.

Sec. 2251.1031. REQUESTS FOR ADDITIONAL INFORMATION.

(a) If the department determines that the information filed by an insurer under this subchapter or Subchapter D is incomplete or otherwise deficient, the department may request additional information from the insurer.

(b) If the department requests additional information from the insurer during the 30-day period described by Section 2251.103(a) or 2251.153(a) or under a second 30-day period described by Section 2251.103(c) or 2251.153(c), as applicable, the time between the date the department submits the request to the insurer and the date the department receives the information requested is not included in the computation of the first 30-day period or the second 30-day period, as applicable.

(c) For purposes of this section, the date of the department's submission of a request for additional information is the earlier of:

(1) the date of the department's electronic mailing or documented telephone call relating to the request for additional information; or

(2) the postmarked date on the department's letter relating to the request for additional information.

(d) The department shall track, compile, and routinely analyze the volume and content of requests for additional information made under this section to ensure that all requests for additional information are fair and reasonable.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1147 (H.B. 1951), Sec. 3.007, eff. September 1, 2011.

Sec. 2251.104. COMMISSIONER DISAPPROVAL OF RATE IN EFFECT; HEARING. (a) The commissioner may disapprove a rate that is in effect only after a hearing. The commissioner shall provide the filer at least 20 days' written notice.

(b) The commissioner must issue an order disapproving a rate under Subsection (a) not later than the 15th day after the close of the hearing. The order must:

(1) specify in what respects the rate fails to meet the requirements of this chapter; and

(2) state the date on which further use of the rate is prohibited, which may not be earlier than the 45th day after the close of the hearing under this section.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1147 (H.B. 1951), Sec. 3.008, eff. September 1, 2011.

Sec. 2251.105. GRIEVANCE. (a) An insured who is aggrieved with respect to any filing under this chapter that is in effect, or the public insurance counsel, may apply to the commissioner in writing for a hearing on the filing. The application must specify the grounds for the applicant's grievance.

(b) The commissioner shall hold a hearing on an application filed under Subsection (a) not later than the 30th day after the date the commissioner receives the application if the commissioner determines that:

(1) the application is made in good faith;

(2) the applicant would be aggrieved as alleged if the grounds specified in the application were established; and

(3) the grounds specified in the application otherwise justify holding the hearing.

(c) The commissioner shall provide written notice of a hearing under Subsection (b) to the applicant and each insurer that made the filing not later than the 10th day before the date of the hearing.

(d) If, after the hearing, the commissioner determines that the filing does not meet the requirements of this chapter, the commissioner shall issue an order:

(1) specifying in what respects the filing fails to meet those requirements; and

(2) stating the date on which the filing is no longer in effect, which must be within a reasonable period after the order date.

(e) The commissioner shall send copies of the order issued under Subsection (d) to the applicant and each affected insurer.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Sec. 2251.106. ROLE OF PUBLIC INSURANCE COUNSEL. (a) On request to the commissioner, the public insurance counsel may review all rate filings and additional information provided by an insurer under this chapter. Confidential information reviewed under this subsection remains confidential.

(b) The public insurance counsel, not later than the 30th day after the date of a rate filing under this chapter, may file with the commissioner a written objection to:

(1) an insurer's rate filing; or

(2) the criteria on which the insurer relied to determine the rate.

(c) A written objection filed under Subsection (b) must contain the reasons for the objection.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Sec. 2251.107. PUBLIC INFORMATION. (a) Each filing made, and any supporting information filed, under this chapter is public information subject to Chapter 552, Government Code, including any applicable exception from required disclosure under that chapter.

(b) Each year the department shall make available to the public information concerning the department's general process and methodology for rate review under this chapter, including factors that contribute to the disapproval of a rate. Information provided under this subsection must be general in nature and may not reveal proprietary or trade secret information of any insurer.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1147 (H.B. 1951), Sec. 3.009, eff. September 1, 2011.

SUBCHAPTER D. PRIOR APPROVAL OF RATES UNDER CERTAIN CIRCUMSTANCES

Sec. 2251.151. REQUIREMENT TO FILE RATES FOR PRIOR APPROVAL UNDER CERTAIN CIRCUMSTANCES. (a) The commissioner by order may require an insurer to file with the department for the commissioner's approval all rates, supplementary rating information, and any supporting information in accordance with this subchapter if the commissioner determines that:

(1) the insurer's rates require supervision because of the insurer's financial condition or rating practices; or

(2) a statewide insurance emergency exists.

(a-1) If an insurer files a petition under Subchapter D, Chapter 36, for judicial review of an order disapproving a rate under this chapter, 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 subject to this chapter before the matter subject to judicial review is finally resolved unless the insurer, in accordance with this subchapter, files the new rate with the department, along with any applicable supplementary rating information and supporting information, and

obtains the commissioner's approval of the rate.

(b) From the date of the filing of the rate with the department to the effective date of the new rate, the insurer's previously filed rate that is in effect on the date of the filing remains in effect.

(c) The commissioner may require an insurer to file the insurer's rates under this section until the commissioner determines that the conditions described by Subsection (a) no longer exist.

(c-1) If the commissioner requires an insurer to file the insurer's rates under this section, the commissioner shall periodically assess whether the conditions described by Subsection (a) continue to exist. If the commissioner determines that the conditions no longer exist, the commissioner shall issue an order excusing the insurer from filing the insurer's rates under this section.

(d) For purposes of this section, a rate is filed with the department on the date the department receives the rate filing.

(e) If the commissioner requires an insurer to file the insurer's rates under this section, the commissioner shall issue an order specifying the commissioner's reasons for requiring the rate filing and explaining any steps the insurer must take and any conditions the insurer must meet in order to be excused from filing the insurer's rates under this section. An affected insurer is entitled to a hearing on written request made to the commissioner not later than the 30th day after the date the order is issued.

(f) The commissioner by rule shall define:

(1) the financial conditions and rating practices that may subject an insurer to this section under Subsection (a)(1); and

(2) the process by which the commissioner determines that a statewide insurance emergency exists under Subsection (a)(2).

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](#)), Sec. 2, eff. April 1, 2007.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 1096 (H.B. [3358](#)), Sec. 1, eff. September 1, 2007.

Acts 2011, 82nd Leg., R.S., Ch. 1147 (H.B. [1951](#)), Sec. 3.010, eff. September 1, 2011.

Sec. 2251.152. RATE APPROVAL REQUIRED; EXCEPTION. (a) An insurer subject to this subchapter may not use a rate until the rate has been filed with the department and approved by the commissioner in accordance with this subchapter.

(b) Notwithstanding Subsection (a), after a rate filing is approved under this subchapter, an insurer, without prior approval of the commissioner, may use any rate subsequently filed by the insurer if the subsequently filed rate does not exceed the lesser of:

(1) 107.5 percent of the rate approved by the commissioner; or

(2) 110 percent of any rate used by the insurer in the previous 12-month period.

(c) Filed rates under Subsection (b) take effect on the date specified by the insurer.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](#)), Sec. 2, eff. April 1, 2007.

Sec. 2251.153. COMMISSIONER ACTION. (a) Not later than the 30th day after the date a rate is filed with the department under this subchapter, the commissioner shall:

(1) approve the rate if the commissioner determines that the rate complies with the requirements of this chapter; or

(2) disapprove the rate if the commissioner determines that the rate does not comply with the requirements of this chapter.

(b) Except as provided by Subsection (c), if a rate has not been approved or disapproved by the commissioner before the expiration of the 30-day period described by Subsection (a), the rate is considered approved and the insurer may use the rate unless the rate proposed in the filing represents an increase of 12.5 percent or more from the insurer's previously filed rate.

(c) For good cause, the commissioner may, on the expiration of the 30-day period described by Subsection (a), extend the period for approval or disapproval of a rate for one additional 30-day

period. The commissioner and the insurer may not by agreement extend the 30-day period described by Subsection (a).

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Sec. 2251.155. RATE FILING APPROVAL BY COMMISSIONER; USE OF RATE. (a) The commissioner shall approve a rate filing under this subchapter if the proposed rate is adequate, not excessive, and not unfairly discriminatory.

(b) If the commissioner approves a rate filing under this section, the commissioner shall provide the insurer with a written or electronic notification of the approval. The insurer may use the rate on receipt of the approval notice.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Sec. 2251.156. RATE FILING DISAPPROVAL BY COMMISSIONER; HEARING. (a) If the commissioner disapproves a rate filing under Section 2251.153(a)(2), the commissioner shall issue an order disapproving the filing in accordance with Section 2251.103(d).

(b) An insurer whose rate filing is disapproved is entitled to a hearing in accordance with Section 2251.103(e).

(c) The department shall track precedents related to disapprovals of rates under this subchapter to ensure uniform application of rate standards by the department.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 2, eff. April 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1147 (H.B. 1951), Sec. 3.011, eff. September 1, 2011.

SUBCHAPTER F. EXEMPTIONS FOR CERTAIN INSURERS FROM RATE FILING AND APPROVAL REQUIREMENTS

Sec. 2251.251. APPLICABILITY OF SUBCHAPTER. This subchapter applies to:

- (1) an insurer, including an insurance company, a

reciprocal or interinsurance exchange, a mutual insurance company, a capital stock insurance company, a county mutual insurance company, a Lloyd's plan, or any other legal entity authorized to write residential property insurance in this state; and

(2) an insurer's affiliate, as described by this code, if the affiliate is authorized to write residential property insurance.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](#)), Sec. 2, eff. April 1, 2007.

Sec. 2251.252. EXEMPTION FROM CERTAIN OTHER LAW.

(a) Except as provided by Subsections (b), (c), and (d), an insurer is exempt from the rate filing and approval requirements of this chapter if the insurer, during the calendar year preceding the date filing is otherwise required under this chapter, issued residential property insurance policies in this state that accounted for less than two percent of the total amount of premiums collected by insurers for residential property insurance policies issued in this state, more than 50 percent of which cover property:

(1) valued at less than \$100,000; and

(2) located in an area designated by the commissioner as underserved for residential property insurance under Chapter [2004](#).

(b) If an insurer described by Subsection (a) is a member of an affiliated insurance group, this subchapter applies to the insurer only if the total aggregate premium collected by the group accounts for less than two percent of the total amount of premiums collected by insurers for residential property insurance policies issued in this state.

(c) An insurer described by Subsection (a) that proposes to increase the premium rates charged policyholders for a residential property insurance product by an amount that is 10 percent or more over the amount the insurer charged policyholders for the same or an equivalent residential property insurance product during the preceding calendar year must file the insurer's proposed rates in accordance with this chapter and, if applicable, obtain approval of the proposed rates as provided by this chapter.

(d) An insurer described by Subsection (a) that increases the premium rates charged policyholders for a residential property insurance product by an annual average amount of eight percent or greater for three consecutive calendar years must file the insurer's proposed rates in accordance with this chapter in the calendar year following the three consecutive years and, if applicable, obtain approval of the proposed rates as provided by this chapter. In calculating the three consecutive calendar years' average premium increases, an insurer is not required to consider a year in which there is a weather-related catastrophe or other major natural disaster that requires the commissioner to extend the claim-handling deadlines under Section [542.059\(b\)](#).

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. [2017](#)), Sec. 2, eff. April 1, 2007.

Amended by:

Acts 2021, 87th Leg., R.S., Ch. 5 (S.B. [965](#)), Sec. 1, eff. September 1, 2021.