

INSURANCE CODE

TITLE 5. PROTECTION OF CONSUMER INTERESTS

SUBTITLE C. DECEPTIVE, UNFAIR, AND PROHIBITED PRACTICES

CHAPTER 560. PROHIBITED RATES

Sec. 560.001. DEFINITION OF INSURER. In this chapter, "insurer" means an insurance company, reciprocal or interinsurance exchange, mutual insurance company, farm mutual insurance company, capital stock insurance company, county mutual insurance company, Lloyd's plan, surplus lines insurer, or other legal entity engaged in the business of insurance in this state. The term includes:

- (1) an affiliate described by Section 823.003(a);
- (2) the Texas Windstorm Insurance Association established under Chapter 2210;
- (3) the FAIR Plan Association established under Chapter 2211; and
- (4) the Texas Automobile Insurance Plan Association established under Chapter 2151.

Added by Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 1D.002, eff. April 1, 2009.

Sec. 560.002. USE OF CERTAIN RATES PROHIBITED; RATE REQUIREMENTS. (a) An insurer may not use a rate that violates this chapter.

- (b) A rate used under this code:
 - (1) must be just, fair, reasonable, and adequate; and
 - (2) may not be:
 - (A) confiscatory;
 - (B) excessive for the risks to which the rate applies; or
 - (C) unfairly discriminatory.
- (c) For purposes of this section, a rate is:
 - (1) inadequate if the rate is insufficient to sustain projected losses and expenses to which the rate applies, and 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 any market;

(2) excessive if the rate is likely to produce a long-term profit that is unreasonably high in relation to the insurance coverage provided; or

(3) unfairly discriminatory if the rate:

(A) is not based on sound actuarial principles;

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

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

Added by Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. [2636](#)), Sec. 1D.002, eff. April 1, 2009.