

BILL ANALYSIS

H.B. 928
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Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Prior to 1985, all life insurance companies domiciled in Texas had to make their investments pursuant to investment code provisions set forth in Article 3.39 of the Texas Insurance Code (Code).

This investment statute was originally adopted in 1951. In 1985, the Legislature enacted a new investment code (Article 3.33 of the Code) in response to the changing investment climate. This new investment code applied only to large life, health, and accident insurance companies, such as those organized under Chapter 3 of the Code. In many respects, Article 3.33 is identical to Article 3.39. However, there are several changes in Article 3.33 that update investment opportunities making it easier for companies to manage national portfolios. For example, Article 3.33 allows for investments in foreign countries, Commonwealths, or territories or possessions of the United States, allows for money market investments, and allows for mutual fund investments (with a small percentage of total assets).

At the time Article 3.33 was adopted, there were several smaller stipulated premium companies that did not want to switch over to Article 3.33 investment criteria. These smaller companies typically have investment strategies that are local in nature as opposed to national in scope.

This bifurcation has worked well and continues to work for most stipulated premium companies. However, due primarily to consolidation among stipulated premium companies, some of these companies are now larger than Chapter 3 companies and would benefit from the updated investment opportunities authorized by Article 3.33.

House Bill 928 authorizes a stipulated premium company to elect for the company's investments and transactions to be governed by Article 3.33.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

House Bill 928 amends the Insurance Code to authorize a stipulated premium insurance company issuing life, health, or accident coverages or maintaining policies in force to elect for the company's investments and transactions to be governed by Article 3.33 of the Insurance Code. The bill authorizes a stipulated premium insurance company to elect for the company's investments and transactions to be governed by Article 3.39 of the Insurance Code, after the second anniversary of the effective date of the initial election, but prohibits a company from making another election after this subsequent election has been made. The bill provides that elections must be made by written notice to the Commissioner of Insurance and describes when elections take effect.

EFFECTIVE DATE

September 1, 2003.