

1-1 By: Duncan S.B. No. 891
1-2 (In the Senate - Filed March 5, 2003; March 11, 2003, read
1-3 first time and referred to Committee on State Affairs;
1-4 April 29, 2003, reported favorably by the following vote: Yeas 7,
1-5 Nays 0; April 29, 2003, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to the operation of the joint underwriting association
1-9 under the Texas Medical Liability Insurance Underwriting
1-10 Association Act.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 SECTION 1. Section 3, Article 21.49-3, Insurance Code, is
1-13 amended by adding Subsection (d) to read as follows:

1-14 (d) The association may provide general liability insurance
1-15 coverage to be issued in connection with medical liability
1-16 insurance issued by the association.

1-17 SECTION 2. Section 4A, Article 21.49-3, Insurance Code, as
1-18 amended by Chapters 921 and 1284, Acts of the 77th Legislature,
1-19 Regular Session, 2001, is reenacted and amended to read as follows:

1-20 Sec. 4A. POLICYHOLDER'S STABILIZATION RESERVE FUND FOR
1-21 PHYSICIANS AND HEALTH CARE PROVIDERS OTHER THAN FOR-PROFIT AND
1-22 NOT-FOR-PROFIT NURSING HOMES. (a) There is hereby created a
1-23 policyholder's stabilization reserve fund for physicians and
1-24 health care providers, other than for-profit and not-for-profit
1-25 nursing homes, which shall be administered as provided herein and
1-26 in the plan of operation of the association. The stabilization
1-27 reserve fund created by this section is separate and distinct from
1-28 the stabilization reserve fund for for-profit and not-for-profit
1-29 nursing homes created by Section 4B of this article.

1-30 (b) Each policyholder shall pay annually into the
1-31 stabilization reserve fund a charge, the amount of which shall be
1-32 established annually by advisory directors chosen by health care
1-33 providers, other than for-profit and not-for-profit nursing homes,
1-34 and physicians eligible for insurance in the association in
1-35 accordance with the plan of operation. The charge shall be in
1-36 proportion to each premium payment due for liability insurance
1-37 through the association. Such charge shall be separately stated in
1-38 the policy, but shall not constitute a part of premiums or be
1-39 subject to premium taxation, servicing fees, acquisition costs, or
1-40 any other such charges.

1-41 (c) The stabilization reserve fund shall be collected and
1-42 administered by the association and shall be treated as a liability
1-43 of the association along with and in the same manner as premium and
1-44 loss reserves. The fund shall be valued annually by the board of
1-45 directors as of the close of the last preceding year.

1-46 (d) ~~[Except as provided by Subsection (e) of this section,~~
1-47 ~~collections]~~ Collections of the stabilization reserve fund charge
1-48 shall continue until such time as the net balance of the
1-49 stabilization reserve fund is not less than the projected sum of
1-50 premiums for physicians and health care providers, other than
1-51 for-profit and not-for-profit nursing homes, to be written in the
1-52 year following valuation date.

1-53 ~~[(e) If in any fiscal year the incurred losses and defense~~
1-54 ~~and cost-containment expenses from physicians or any single~~
1-55 ~~category of health care provider result in a net underwriting loss~~
1-56 ~~and exceed 25 percent of the stabilization reserve fund, as valued~~
1-57 ~~for that year, the commissioner may by order direct the initiation~~
1-58 ~~or continuation of the stabilization reserve fund charge for~~
1-59 ~~physicians or that category of health care provider until the fund~~
1-60 ~~recovers the amount by which those losses and cost-containment~~
1-61 ~~expenses exceed 25 percent of the fund.]~~

1-62 (e) The stabilization reserve fund shall be credited with
1-63 all stabilization reserve fund charges collected from physicians
1-64 and health care providers, other than for-profit and not-for-profit

2-1 nursing homes, and shall be charged with any deficit sustained by
2-2 physicians and health care providers, other than for-profit and
2-3 not-for-profit nursing homes, from the prior year's operation of
2-4 the association.

2-5 ~~[(f) The stabilization reserve fund shall be credited with~~
2-6 ~~all stabilization reserve fund charges collected from~~
2-7 ~~policyholders and shall be charged with any deficit from the prior~~
2-8 ~~year's operation of the association.]~~

2-9 SECTION 3. This Act takes effect September 1, 2003.

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