

BILL ANALYSIS

H.B. 1744
By: Seaman
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

This bill amends Article 21.49A of the Texas Insurance Code, which is the enabling legislation for the Texas FAIR Plan Association (“Association”). The purpose of the bill is to improve the operation of the Association and to ensure favorable disposition of a private letter ruling pending before the Internal Revenue Service relating to the federal tax status of the Association. If this bill becomes law, the Association will receive an exemption from federal income taxation.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Commissioner of the Texas Department of Insurance in SECTION 4 (Section 11, Article 21.49A of the Insurance Code) of this bill.

ANALYSIS

Section 1 - Amends Section 1(b) of the statute to clarify that the Texas Windstorm Insurance Association may not participate in the Association for any purpose.

Section 2 - This section amends Section 3(d) of the statute to allow the Commissioner of Insurance to remove Association Governing Committee members without cause and replace them in accordance with the provisions of the statute. This section also amends Section 3 of the statute by adding Subsection (f) to permit the Governing Committee to meet by telephone conference call, video conference or other similar telecommunications method.

Section 3 - This section clarifies and corrects the statute by replacing “writings, expenses and losses” with “assessments.”

Section 4 - This section amends Section 11 of the statute to state that Association members may carry as admitted assets on their financial statements the rights to be reimbursed from policyholders for assessments paid.

Section 5 - This section amends the statute by adding Section 16 to provide that on dissolution of the Association all assets of the Association shall be deposited in the general revenue fund.

Section 6- Effective date

EFFECTIVE DATE

This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III of the Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2005.