

## **BILL ANALYSIS**

C.S.S.B. 1283  
By: Armbrister  
Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The Insurance Holding Company System Regulatory Act (Act) requires the Texas Department of Insurance (TDI) to review changes in the control and ownership of insurance companies as well as certain transactions and relationships between insurers and their affiliates.

The protections of the Act do not currently extend to an insurance holding company if each affiliate in a holding system is privately owned by five or fewer individuals. This broad exemption lessens TDI's ability to accomplish the purposes of the Act because affiliates owned by five or fewer people are also capable of causing harm to the public interest and policyholders.

As proposed, C.S.S.B.1283 amends the Act contained in Chapter 823, Insurance Code, by removing the exemption for insurance holding company systems owned by five or fewer individuals. This would restore the broad applicability of the Act that existed until 1995.

This law also allows the Commissioner to exempt insurers that are subject to the Act to be exempt from the requirements of Articles 5.01-1 and 5.03-1, Insurance Code. Insurers that are part of a holding company typically may have different underwriting guidelines for rating and eligibility for insurance. Some risks that are not eligible may have to obtain auto insurance from higher priced county mutuals or other nonstandard markets. This change would allow more insurers to consider directly driving records and would give consumers with poor driving records more choices in finding lower priced insurance than may be available in the nonstandard markets. Exemption from these laws can only be approved if the Commissioner finds it is actuarially sound, improves competition, and would not present a danger of loss to the policyholders.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution or agency.

### **ANALYSIS**

SECTION 1. Amends Section 823.015 by changing the title to Exemption from this Chapter and Other law. It also repeals the exemption language in current subsection (a) and reletters existing subsection (b). It adds a new subsection (b) which authorizes the Commissioner to exempt an insurer subject to Ch. 823 from the requirements of Articles 5.01-1 and Articles 5.03-1. Article 5.01-1 deals with surcharges for violations of the Uniform Act Regulating Traffic on Highways Act. Article 5.03-1 requires surcharges for driving while intoxicated. An insurer can only be exempt if the Commissioner finds the insurer has demonstrated the exemption would be actuarially sound, encourage and improve competition, and would not adversely affect its operations or policyholders.

SECTION 2. Provides that an insurance company holding system that becomes subject to Chapter 823 (Insurance Holding Company Systems), Insurance Code, as a result of the repeal of subsection (a), 823.015 made by this Act is not required to comply with that chapter before January 1, 2006.

SECTION 3. Effective Date. September 1, 2005

### **EFFECTIVE DATE**

This Act takes effect September 1, 2005.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

The substitute bill changes the title of §823.015 from Exemption from Chapter to Exemption from Chapter and Other Law. It strikes current law in subsection (a), §823.015 that was repealed in the original bill. It changes existing subsection (b) in §823.015 to subsection (a). It adds a new subsection (b) to §823.015, Insurance Code, that allows the Commissioner to approve an exemption from Articles 5.01-1 and 5.03-1 for insurers subject to Chapter 823. Standards for the exemption in subsection (b) are provided in the substitute.