

BILL ANALYSIS

S.B. 1591
By: Carona
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

C.S.S.B. 1591 gives the Texas Department of Insurance (TDI) greater ability to rely on certified public accountant (CPA) audits of insurers by amending the Insurance Code to require CPAs to consider the procedures illustrated in the National Association of Insurance Commissioners Examiner's Handbook while performing insurer audits.

C.S.S.B. 1591 further ensures the independence of an auditor who is examining an insurer's financial reports and guards against conflicts of interest by amending the Insurance Code to specifically prohibit indemnification agreements between the auditor and the insurer for matters arising from the audit.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 12(c), Article 1.15A, Insurance Code, to prohibit the commissioner of insurance from accepting an audited financial report prepared in whole or in part by an individual or firm who the commissioner finds has directly or indirectly entered into an agreement of indemnity or release of liability regarding an audit of an insurer.

SECTION 2. Amends Section 14(b), Article 1.15A, Insurance Code, to require the examination of an insurer's financial reports to be conducted in accordance with generally accepted auditing standards or with standards adopted by the Public Company Accounting Oversight Board, as applicable. Requires the accountant conducting the audit of an insurer's financial reports to apply the standards specified in the Examiner's Handbook promulgated by the National Association of Insurance Commissioners, or other analogous nationally recognized standards adopted by commissioner rule. Deletes existing text relating to giving consideration to certain procedures.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2005.

EFFECTIVE DATE

September 1, 2005.