

AN ACT

relating to accountant practice requirements for certain audits of insurer financial reports.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subsection (c), Section 12, Article 1.15A, Insurance Code, is amended to read as follows:

(c) The commissioner may not accept an audited financial report prepared in whole or in part by an individual or firm who the commissioner finds:

(1) has been convicted of fraud, bribery, a violation of the Racketeer Influenced and Corrupt Organizations Act (18 U.S.C. Sections 1961 through 1968), or any state or federal criminal offense involving dishonest conduct;

(2) has violated the insurance laws of this state with respect to any report filed under this article; ~~or~~

(3) has demonstrated a pattern or practice of failing to detect or disclose material information in reports filed under this article; or

(4) has directly or indirectly entered into an agreement of indemnity or release of liability regarding an audit of an insurer.

SECTION 2. Subsection (b), Section 14, Article 1.15A, Insurance Code, is amended to read as follows:

(b) The examination of an insurer's financial reports shall

1 be conducted in accordance with generally accepted auditing
2 standards or with standards adopted by the Public Company
3 Accounting Oversight Board, as applicable. The accountant
4 conducting the audit shall consider:

5 (1) the standards specified [~~Consideration should~~
6 ~~also be given to such other procedures illustrated~~] in the
7 Examiner's Handbook promulgated by the National Association of
8 Insurance Commissioners; or

9 (2) other analogous nationally recognized standards
10 adopted by commissioner rule.

11 SECTION 3. The changes in law made by this Act apply only to
12 an audit begun under Article 1.15A, Insurance Code, as amended by
13 this Act, on or after the effective date of this Act. An audit begun
14 or pending before that date is governed by the law in effect on the
15 date the audit is begun, and the former law is continued in effect
16 for that purpose.

17 SECTION 4. This Act takes effect September 1, 2005.

S.B. No. 1591

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1591 passed the Senate on April 21, 2005, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1591 passed the House on May 25, 2005, by a non-record vote.

Chief Clerk of the House

Approved:

Date

Governor