

1-1 By: Carona S.B. No. 1591
1-2 (In the Senate - Filed March 11, 2005; March 22, 2005, read
1-3 first time and referred to Committee on Business and Commerce;
1-4 April 11, 2005, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 9, Nays 0; April 11, 2005,
1-6 sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1591 By: Carona

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to accountant practice requirements for certain audits of
1-11 insurer financial reports.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Subsection (c), Section 12, Article 1.15A,
1-14 Insurance Code, is amended to read as follows:

1-15 (c) The commissioner may not accept an audited financial
1-16 report prepared in whole or in part by an individual or firm who the
1-17 commissioner finds:

1-18 (1) has been convicted of fraud, bribery, a violation
1-19 of the Racketeer Influenced and Corrupt Organizations Act (18
1-20 U.S.C. Sections 1961 through 1968), or any state or federal
1-21 criminal offense involving dishonest conduct;

1-22 (2) has violated the insurance laws of this state with
1-23 respect to any report filed under this article; ~~or~~

1-24 (3) has demonstrated a pattern or practice of failing
1-25 to detect or disclose material information in reports filed under
1-26 this article; or

1-27 (4) has directly or indirectly entered into an
1-28 agreement of indemnity or release of liability regarding an audit
1-29 of an insurer.

1-30 SECTION 2. Subsection (b), Section 14, Article 1.15A,
1-31 Insurance Code, is amended to read as follows:

1-32 (b) The examination of an insurer's financial reports shall
1-33 be conducted in accordance with generally accepted auditing
1-34 standards or with standards adopted by the Public Company
1-35 Accounting Oversight Board, as applicable. The accountant
1-36 conducting the audit shall consider:

1-37 (1) the standards specified [~~Consideration should~~
1-38 ~~also be given to such other procedures illustrated~~] in the
1-39 Examiner's Handbook promulgated by the National Association of
1-40 Insurance Commissioners; or

1-41 (2) other analogous nationally recognized standards
1-42 adopted by commissioner rule.

1-43 SECTION 3. The changes in law made by this Act apply only to
1-44 an audit begun under Article 1.15A, Insurance Code, as amended by
1-45 this Act, on or after the effective date of this Act. An audit begun
1-46 or pending before that date is governed by the law in effect on the
1-47 date the audit is begun, and the former law is continued in effect
1-48 for that purpose.

1-49 SECTION 4. This Act takes effect September 1, 2005.

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