

BILL ANALYSIS

C.S.H.B. 2550
By: Smith, Todd
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

This bill relates to authorized investments in securities or property for foreign companies. It seeks to provide greater protection to Texas consumers against the threat of a foreign insurance company's insolvency as well as safeguard domestic insurers and the state's General Revenue fund. The bill will allow the commissioner, after notice and hearing before the commissioner, to issue an order that includes one of several remedial actions regarding an insurer's financial condition, including the added remedy of rectifying "an asset deficiency as a result of the insurer holding an investment that is not of the same type, quality, character or class of investment authorized under this code."

C.S.H.B. 2550 amends Sections 404.001 and 404.003 of the Insurance Code to specify applicability to foreign companies, to specify hearings before the commissioner regarding an order to remedy a financial condition, and to include a specific remedy of rectifying an asset deficiency that is not of the same type, quality, character or class of investment authorized under the Insurance Code.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2550, in SECTION 1, seeks to amend Section 404.001, Insurance Code, by adding the phrase "the following, whether foreign or domestic:" to the section to specify applicability to foreign companies as well as domestic.

In SECTION 2, C.S.H.B. 2550 seeks to amend Section 404.003 (a) and (c) of the Texas Insurance Code. The phrase "A hearing held under this section is not subject to Chapter 40", is added to Subsection (a) to specify that hearings will be before the commissioner. Also, the phrase "or (F) rectify an asset deficiency as a result of the insurer holding an investment that is not of the same type, quality, character, or class of investment authorized under this code;" is added to Subsection (c).

SECTION 3 states that 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, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2007.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

Whereas the original house bill amended Section 982.105 (a) of the Texas Insurance Code, C.S.H.B. 2550 amends Sections 404.001, 404.003 (a) and (c) of the Texas Insurance Code to include applicability to foreign as well as domestic companies regarding the commissioner's ability to issue an order, after notice and hearing, to remedy a financial condition of an insurer.