

BILL ANALYSIS

H.B. 2759
By: Eiland
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Holding Company Act (Act) governs acquisitions of insurance companies and transactions between insurers and their parents or affiliates. The purpose of the Act is to ensure that the parties in control of insurance companies do not abuse their position in a manner that jeopardizes the interests of the policyholders. The current law was based on a model act adopted by virtually every state. However, there are a number of differences and inconsistencies between current Texas law and the model as enacted in other states. Currently, insurers are required to file a large volume of filings that are no longer needed by the Department of Insurance in the performance of their regulatory duties. These filings are part of a comprehensive holding company registration statement filed with the Department every five years. In addition, each year the Department also obtains interim updates that include any changes that have occurred since the last five year registration statement. Other states require the registration statement on an annual basis. A substantial number of groups with multi-state operations find it less burdensome to submit these registration statements in a consistent manner on an annual basis in all states in which they do business, and already file their annual restatements with the Department.

Inconsistencies between the current Texas law and the laws of other states result in confusion and administrative burdens on the industry and the Department of Insurance alike. These burdens include additional regulatory filings such as bylaws and articles of incorporation for noninsurance entities, which are part of the comprehensive registration statement that is filed every five years. Because Texas is the only state with this five year restatement requirement, additional administrative burdens are created for the industry, particularly for groups with operations in several states.

H.B. 2759 amends Chapter 823 of the Texas Insurance Code to streamline the process for holding company transactions and make Texas processes consistent with the other states. This will help ensure that Texas law only requires those regulatory filings that the Department of Insurance needs to protect the public and will make Texas registration requirements uniform with other states.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Commissioner of Insurance in SECTION 1 (Section 823.055 of the Texas Insurance Code) of this bill.

ANALYSIS

H.B. 2759 relates to registration statements filed by an insurer that is a member of an insurance company holding system.

SECTION 1 amends Section 823.052 (a) of the Texas Insurance Code by removing the requirement that an insurer must file a copy of the charter or articles of incorporation and bylaws of the insurer's holding company, each of the insurer's subsidiaries, and, if the Commissioner of Insurance considers the information necessary, any of the insurer's other affiliates. H.B. 2759 SECTION 1 Section 823.052 (a) now simply states that to register as required by Section 823.051, an insurer must file a registration statement with the department.

Next, H.B. 2759 amends Section 823.055 of the Texas Insurance Code. First, this house bill changes the heading to now read "Annual Registration Statement; Summary of Material Changes". Next, the word "annual" is added to Subsection (b) of Section 823.055 in SECTION

2 of the house bill and the phrases "amendment to the insurer's" and "filed under this subchapter to make the registration statement current" are removed.

Finally, Subsection (c) of Section 823.055 is amended by adding that an insurer required to file an annual registration statement shall also furnish a summary of material changes from the prior year's annual registration statement as specified by the commissioner by rule. The rest of the language found in Subsection (c) of Section 823.055 is removed by this house bill. Also, the house bill removes Subsection (d) of Section 823.055 in SECTION 2 of the house bill.

SECTION 3 states that the effective date of this Act is September 1, 2007.

EFFECTIVE DATE

September 1, 2007.