

BILL ANALYSIS

S.B. 1542
By: Fraser
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 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 Texas Department of Insurance (TDI) in the performance of its regulatory duties. These filings are part of a comprehensive holding company registration statement filed with TDI every five years. In addition, each year TDI 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 TDI.

As proposed, S.B. 1542 streamlines the process for holding company transactions and makes Texas processes consistent with other states. This bill ensures that Texas law only requires those regulatory filings that TDI needs to protect the public and 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 2 (Section 823.055, Insurance Code) of this bill.

ANALYSIS

SECTION 1. Amends Section 823.052(a), Insurance Code, as follows:

(a) Requires an insurer to file a registration statement with the Texas Department of Insurance (TDI) in order to register as required by Section 823.051 (Registration by Insurer Required). Deletes existing text requiring an insurance to include 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 (commissioner) considers the information necessary, any of the insurer's other affiliates.

SECTION 2. Amends Section 823.055, Insurance Code, as follows:

Sec. 823.055. New heading: ANNUAL REGISTRATION STATEMENT; SUMMARY OF MATERIAL CHANGES. (a) Makes no changes to this subsection.

(b) Requires each registered insurer in the ultimate controlling person's insurance holding company system to file an annual registration statement, rather than an amendment to the insurer's registration statement. Deletes existing text providing that the statement is to be filed under this subchapter (Registration by Insurer Required) to make the registration statement current.

(c) Requires an insurer required to file an annual registration statement to also furnish a summary of material changes from the prior year's annual registration statement as specified by the commissioner by rule. Deletes existing text regarding the filing of a completely restated registration statement that consolidates all amendments to the most recently filed registration statement and

requiring the consolidated statement to be in the format that the commissioner adopts by rule. Deletes existing text providing that a registered insurer is not required to file an amendment under Subsection (b) in the year in which the insurer files a consolidated registration statement under Subsection (c).

SECTION 3. Effective date: September 1, 2007.

EFFECTIVE DATE

September 1, 2007.