

## **BILL ANALYSIS**

C.S.H.B. 1476  
By: Sheffield  
Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Under current law, property casualty insurance companies are required, as a measure of financial solvency, to have \$2 million in the amount of capital stock and surplus combined. The recent history of natural disasters and catastrophic events highlight the need to ensure the solvency of insurance carriers in Texas.

C.S.H.B. 1476 increases the minimum amount of capital stock and surplus required by a property casualty insurance company in Texas.

### **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. 1476 amends the Insurance Code to increase from \$1 million to \$2.5 million the minimum amount of capital stock and from \$1 million to \$2.5 million the minimum amount of surplus that an insurance company is required to have. The bill requires an insurance company that holds a certificate of authority in Texas that, on September 1, 2009, has less than the minimum amount of capital required for a newly incorporated company to increase its amount of capital by at least 10 percent of the difference between the amount of minimum capital required for a newly incorporated insurance company and the amount of the company's capital as of December 31, 2009, and it requires such company to achieve this increase not later than December 31, 2010. The bill requires a company with less than the minimum amount of required capital to achieve an increase of at least 20 percent of the difference not later than December 31, 2011; 30 percent of the difference not later than December 31, 2012; 40 percent of the difference not later than December 31, 2013; 50 percent of the difference not later than December 31, 2014; 60 percent of the difference not later than December 31, 2015; 70 percent of the difference not later than December 31, 2016; 80 percent of the difference not later than December 31, 2017; and 90 percent of the difference not later than December 31, 2018. The bill requires such insurance company to have at least \$2.5 million in capital not later than December 31, 2019.

### **EFFECTIVE DATE**

September 1, 2009.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 1476 differs from the original by setting forth required annual increases from the year ending December 31, 2010, to the year ending December 31, 2018, to meet the requirement that an insurance company increase the amount of its capital by at least 90 percent of the difference between the minimum amount of capital required for a newly incorporated company and the amount of the company's capital on September 1, 2009, whereas the original does not set such

annual deadlines.