

BILL ANALYSIS

Senate Research Center
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S.B. 2342
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Insurance Code has been recodified. In part, this bill amends statutes relating to county mutual insurance companies and farm mutual insurance companies that need to be updated because of recodification of the code.

This bill addresses outdated provisions of the Insurance Code, including stock and reporting requirements of county mutuals, and repeals the insurance commissioner's ability to require periodic and/or special financial reporting from county mutuals. This bill also repeals the provisions that require farm mutuals and county mutuals to apply to the Texas Department of Insurance for an extension of their charters, as well as the annual statement filing fee for county mutuals.

As proposed, S.B. 2342 amends current law relating to the regulation of certain insurers.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 5.13(a), Insurance Code, as follows:

- (a) Provides that this subchapter applies to certain entities writing any of the characters of insurance business herein set forth, hereinafter called "Insurer"; provided that nothing in this entire subchapter is required to be construed to apply to any county or farm mutual insurance company or association, as regulated under Chapters 911 (Farm Mutual Insurance Companies) and 912 (County Mutual Insurance Companies) of this code, except that Article 5.13-2 of this code are required to apply to a county mutual insurance company with respect to personal automobile and commercial automobile insurance, residential and commercial property insurance, and inland marine insurance, rather than requires Article 5.20 of this code to apply to a county mutual insurance company with respect to each line of insurance that a county mutual insurance company is authorized to write under Section 912.151 (Kinds of Insurance Authorized) and Article 5.20 to apply to a farm mutual insurance company with respect to each line of insurance that a farm mutual insurance company is authorized to write under Section 911.151 (Kinds of Insurance Authorized). Makes nonsubstantive changes.

SECTION 2. Amends Section 822.055(d), Insurance Code, to require the shareholders of an insurance company authorizing par value shares of stock to in good faith subscribe and fully pay for shares representing at least 50 percent of the total par value of the authorized shares with a par value, rather than to require the shareholders to subscribe and fully pay for shares representing a certain value before the company is granted a charter or amends its charter to authorize the issuance of par value shares or increase or decrease from time to time the number of authorized par value shares.

SECTION 3. Amends Section 822.056(d), Insurance Code, to require the shareholders of an insurance company authorizing shares of stock without par value to subscribe and pay for shares representing a certain value before the company is granted a charter, rather than granted a charter or has its charter amended to authorize the issuance of shares without par value.

SECTION 4. Amends Section 912.152(a), Insurance Code, to delete existing text that provides that a county mutual insurance company is subject to Articles 5.06 (Policy Forms and Endorsements) and 5.35 (Policy Forms). Makes conforming changes.

SECTION 5. Amends Section 912.301, Insurance Code, as follows:

Sec. 912.301. New heading: ANNUAL REPORT. Requires each county mutual insurance company to file with the Texas Department of Insurance (TDI), not later than March 1 of each year, a verified report on a form prepared by TDI of the business conducted by the company during the preceding year, the condition of the affairs of the company, and any other information required by TDI. Deletes existing Subsection (a) authorizing the commissioner of insurance (commissioner) to compel written reports from a county mutual insurance company regarding the company's condition. Deletes existing Subsection (b) authorizing the commissioner to require that the report be verified under oath by a responsible officer of the company.

SECTION 6. Amends Section 1953.001(b), Insurance Code, to delete existing text that excludes a type or class of insurance to which this section applies from regulation under Articles 5.06, 5.10 (Rules and Regulations), and 5.11 (Hearing on Grievances). Makes a conforming change.

SECTION 7. Repealer: Section 911.067 (Application for Extension of Charter for Certain Companies; Term), Insurance Code;

Repealer: Section 912.061 (Application for Extension of Charter; Term), Insurance Code; and

Repealer: Section 912.302 (Annual Statement Fee), Insurance Code.

SECTION 8. (a) Provides that the repeal by this Act of Sections 911.067 and 912.061, Insurance Code, does not apply to an application for an extension of charter submitted before the effective date of this Act. Provides that an application submitted before the effective date of this Act is governed by the law in effect immediately before the effective date of this Act, and that law is continued in effect for that purpose.

(b) Provides that the repeal by this Act of Section 912.302, Insurance Code, applies only to an annual statement filed on or after the effective date of this Act. Provides that a statement filed before the effective date of this Act is governed by the law in effect immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 9. Effective date: September 1, 2009.