

By: Eiland

H.B. No. 2449

A BILL TO BE ENTITLED

AN ACT

relating to requirements for county mutual insurance companies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 822.205(a), Insurance Code, is amended to read as follows:

(a) Except as provided by Section 912.308, this [This] section applies only to an insurance company that:

(1) writes insurance only in this state; and

(2) is not required by law to have capital stock.

SECTION 2. Section 912.308(b), Insurance Code, is amended to read as follows:

(b) Except as provided by Section 912.056, a [A] county mutual insurance company is subject to Subchapter B, Chapter 404, and Sections 822.203, [~~822.205,~~] 822.210, and 822.212.

SECTION 3. Section 912.056, Insurance Code, is amended by adding Subsections (d), (e), (f), and (g) to read as follows:

(d) A company organized and operating under this chapter that, as of September 1, 2001, and continuously thereafter, appointed managing general agents, created districts, or organized local chapters to manage a portion of the company's business independent of all other business of the company may continue to operate in that manner and may appoint and contract with one or more managing general agents in accordance with this code only if the company:

1           (1) cedes 85 percent or more of the company's direct  
2 and assumed risks to one or more reinsurers; and

3           (2) has a private passenger automobile insurance  
4 business:

5                   (A) with a market share of not greater than five  
6 percent; or

7                   (B) that is predominantly nonstandard.

8           (e) A company described by Subsection (d) shall file, for  
9 each managing general agent, district, or local chapter program,  
10 the rating information required by the commissioner by rule. Each  
11 managing general agent, district, or local chapter program shall be  
12 treated as a separate insurer for the purposes of Chapters 544,  
13 2251, 2253, and 2254.

14           (f) Notwithstanding any other provision of this code, a  
15 company operating under Subsection (d) that cedes 85 percent or  
16 more of the company's direct and assumed risks to one or more  
17 nonaffiliated reinsurers shall maintain unencumbered surplus, or  
18 guaranty fund and unencumbered surplus, equal to the greater of \$2  
19 million or five percent of the company's recoverable for  
20 reinsurance after taking full credit against the recoverable as  
21 otherwise permitted for:

22                   (1) premium payable to ceding insurers, net of any  
23 ceding commission due the company;

24                   (2) collateral held as required by Section 493.104,  
25 letters of credit, and security trusts that secure the collection  
26 of the reinsurance; and

27                   (3) reinsurance through reinsurers whose financial

1 strength is rated "A" or better by the A. M. Best Company,  
2 Incorporated, or another nationally recognized statistical rating  
3 organization acceptable to the commissioner.

4 (g) The commissioner by rule shall adopt a transition period  
5 for insurance companies subject to Subsection (f) to meet the  
6 requirements of that subsection and for the pro rata elimination of  
7 any deficiencies in the amounts required under that subsection.  
8 The transition period adopted under this subsection must be for a  
9 period of not less than five years.

10 SECTION 4. This Act takes effect September 1, 2009.