

By: Eiland

H.B. No. 2449

A BILL TO BE ENTITLED

AN ACT

relating to unencumbered surplus or guaranty fund 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, Insurance Code, is amended by amending Subsection (b) and adding Subsections (c)-(f) to read as follows:

(b) A county mutual insurance company is subject to Subchapter B, Chapter 404, and Sections 822.203, ~~[822.205,]~~ 822.210, and 822.212.

(c) Except as provided by Subsection (d), a county mutual insurance company organized under this chapter shall maintain unencumbered surplus equal to:

(1) \$2 million; or

(2) the amount required by rules adopted by the commissioner under Section 822.210.

(d) A county mutual insurance company organized under this chapter that cedes 95 percent or more of its gross written premium

1 to one or more unaffiliated reinsurers shall maintain, as an asset
2 or deduction from liability, unencumbered surplus equal to at least
3 five percent of the insurance company's total credit for
4 reinsurance ceded.

5 (e) Notwithstanding Subsection (d), the amount of required
6 unencumbered surplus:

7 (1) shall be reduced for:

8 (A) ceded premiums payable, and collateral held,
9 under Section 493.104; and

10 (B) reinsurance placed with a reinsurer earning
11 an "A" rating from at least two nationally recognized statistical
12 rating organizations acceptable to the commissioner;

13 (2) must be fulfilled within a planned transition
14 period, not to exceed 10 years, as reported to the commissioner; and

15 (3) must be at least \$2 million.

16 (f) The commissioner shall adopt rules consistent with this
17 section as necessary to implement Subsections (c), (d), and (e).

18 SECTION 3. This Act takes effect September 1, 2009.