

1-1 By: Eiland (Senate Sponsor - Lucio) H.B. No. 2449  
1-2 (In the Senate - Received from the House April 14, 2009;  
1-3 April 24, 2009, read first time and referred to Committee on  
1-4 Business and Commerce; May 18, 2009, reported favorably by the  
1-5 following vote: Yeas 7, Nays 0; May 18, 2009, sent to printer.)

1-6 A BILL TO BE ENTITLED  
1-7 AN ACT

1-8 relating to requirements for county mutual insurance companies.

1-9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-10 SECTION 1. Section 822.205(a), Insurance Code, is amended  
1-11 to read as follows:

1-12 (a) Except as provided by Section 912.308, this [This]  
1-13 section applies only to an insurance company that:

1-14 (1) writes insurance only in this state; and

1-15 (2) is not required by law to have capital stock.

1-16 SECTION 2. Section 912.308(b), Insurance Code, is amended  
1-17 to read as follows:

1-18 (b) Except as provided by Section 912.056, a [A] county  
1-19 mutual insurance company is subject to Subchapter B, Chapter 404,  
1-20 and Sections 822.203, [~~822.205,~~] 822.210, and 822.212.

1-21 SECTION 3. Section 912.056, Insurance Code, is amended by  
1-22 adding Subsections (d), (e), (f), and (g) to read as follows:

1-23 (d) A company organized and operating under this chapter  
1-24 that, as of September 1, 2001, and continuously thereafter,  
1-25 appointed managing general agents, created districts, or organized  
1-26 local chapters to manage a portion of the company's business  
1-27 independent of all other business of the company may continue to  
1-28 operate in that manner and may appoint and contract with one or more  
1-29 managing general agents in accordance with this code only if the  
1-30 company:

1-31 (1) cedes 85 percent or more of the company's direct  
1-32 and assumed risks to one or more reinsurers; and

1-33 (2) has a private passenger automobile insurance  
1-34 business:

1-35 (A) with a market share of not greater than five  
1-36 percent; or

1-37 (B) that is predominantly nonstandard.

1-38 (e) A company described by Subsection (d) shall file, for  
1-39 each managing general agent, district, or local chapter program,  
1-40 the rating information required by the commissioner by rule. Each  
1-41 managing general agent, district, or local chapter program shall be  
1-42 treated as a separate insurer for the purposes of Chapters 544,  
1-43 2251, 2253, and 2254.

1-44 (f) Notwithstanding any other provision of this code, a  
1-45 company operating under Subsection (d) that cedes 85 percent or  
1-46 more of the company's direct and assumed risks to one or more  
1-47 nonaffiliated reinsurers shall maintain unencumbered surplus, or  
1-48 guaranty fund and unencumbered surplus, equal to the greater of \$2  
1-49 million or five percent of the company's recoverable for  
1-50 reinsurance after taking full credit against the recoverable as  
1-51 otherwise permitted for:

1-52 (1) premium payable to ceding insurers, net of any  
1-53 ceding commission due the company;

1-54 (2) collateral held as required by Section 493.104,  
1-55 letters of credit, and security trusts that secure the collection  
1-56 of the reinsurance; and

1-57 (3) reinsurance through reinsurers whose financial  
1-58 strength is rated "A" or better by the A. M. Best Company,  
1-59 Incorporated, or another nationally recognized statistical rating  
1-60 organization acceptable to the commissioner.

1-61 (g) The commissioner by rule shall adopt a transition period  
1-62 for insurance companies subject to Subsection (f) to meet the  
1-63 requirements of that subsection and for the pro rata elimination of  
1-64 any deficiencies in the amounts required under that subsection.

2-1 The transition period adopted under this subsection must be for a  
2-2 period of not less than five years.

2-3 SECTION 4. This Act takes effect September 1, 2009.

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