

By: Lucio

S.B. No. 685

A BILL TO BE ENTITLED

AN ACT

1
2 relating to authorizing the commissioner of insurance to further
3 regulate the financial security and operations of certain insurance
4 companies through local districts or chapters.

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

6 SECTION 1. Section 912.056, Insurance Code, is amended by
7 adding Subsections (d), (e), and (f) to read as follows:

8 (d) A company organized and operating under this chapter
9 that historically appointed managing general agencies, created
10 districts, or organized local chapters and that cedes 90 percent or
11 more of its direct and assumed risks to one or more reinsurers may
12 appoint and contract with a managing general agent in accordance
13 with the provisions of this code to manage a portion of its business
14 independent of all other business of the company. The company shall
15 file, for each managing general agent, district, or local chapter
16 program, the rating information required by the commissioner by
17 rule. Each managing general agent, district, or local chapter
18 program shall be treated as a separate insurer for the purposes of
19 Chapters 544, 2251, 2253, and 2254.

20 (e) Notwithstanding any other provision of this code, a
21 company operating under Subsection (d) that utilizes more than one
22 rate filing per line of business shall maintain a minimum amount of
23 unencumbered surplus or a minimum amount of guaranty fund and
24 unencumbered surplus equal to the greater of \$2 million or five

1 percent of the company's net recoverable for reinsurance after
2 taking full credit against the recoverable as otherwise permitted
3 for:

4 (1) premiums payable to cedents net of ceding
5 commission due the company;

6 (2) collateral held as required by Section 493.104,
7 letters of credit, and security trusts that secure the collection
8 of the reinsurance;

9 (3) cut-through policy endorsements approved by the
10 commissioner; and

11 (4) reinsurance through reinsurance companies whose
12 financial strength is rated A or better by the A. M. Best Company,
13 Incorporated.

14 (f) The commissioner by rule shall provide a transition
15 period for insurance companies subject to Subsection (e) to meet
16 the requirements of that subsection and for the pro rata
17 elimination of any deficiencies in the amounts required under that
18 subsection. The transition period must be:

19 (1) not less than five years for companies that have a
20 market share of 10 percent or more; and

21 (2) not less than 10 years for companies that have a
22 market share of less than 10 percent.

23 SECTION 2. This Act takes effect September 1, 2009.