

## **BILL ANALYSIS**

H.B. 1157  
By: Hancock  
Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The Texas Life, Accident, Health, and Hospital Service Insurance Guaranty Association protects policyholders in Texas against the insolvency of an insurance provider that is a member of the association and the subsequent inability of the provider to perform contractual obligations under life, accident, health, and annuity contracts.

H.B. 1157 makes various changes to the Texas Life, Accident, Health, and Hospital Service Insurance Guaranty Association that are in line with standards set forth by the National Association of Insurance Commissioners.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 1157, effective September 1, 2011, changes the name of the Texas Life, Accident, Health, and Hospital Service Insurance Guaranty Association to the Texas Life and Health Insurance Guaranty Association and establishes that the Texas Life and Health Insurance Guaranty Association is the successor to the Texas Life, Accident, Health, and Hospital Service Insurance Guaranty Association in all respects. The bill transfers all powers, duties, rights, obligations, and members of the board of directors of the former association to the successor association and specifies that a reference in law to the former association is a reference to the successor association.

H.B. 1157 amends the Insurance Code to exclude from the types of policies, contracts, and agreements for which the Texas Life and Health Insurance Guaranty Association Act provides coverage a policy or contract providing a hospital, medical, prescription drug, or other health care benefit under Medicare Parts C or D or a regulation adopted under those federal statutes.

H.B. 1157 redefines "association" and makes conforming changes to reflect the name change of the association. The bill authorizes the board of directors of the association or a committee of the board to meet by telephone conference call, videoconference, or other similar telecommunication method if immediate action is required and convening a quorum of the board or committee of the board at a single location is not reasonable or practical. The bill authorizes a board or committee member who is unable to attend a meeting in person and who is participating in a board or committee meeting by telephone conference call, videoconference, or other similar telecommunication method to be counted to establish a quorum and to vote. The bill makes a meeting held by telephone conference call, videoconference, or other similar telecommunication method subject to the notice requirements that apply to other meetings. The bill requires the notice of a meeting held by such a telecommunication method to specify that the location of the meeting is the location at which meetings of the board and committees of the board are usually held. The bill requires each part of a meeting that must be open to the public to be audible to the

public at the meeting's location. The bill requires that two-way audio communication be available during the entire meeting between all members of the board or committee attending a meeting and prohibits, if the two-way audio communication is disrupted so that a quorum of the board or committee is no longer participating in the meeting, the meeting from continuing until the two-way communication is reestablished. The bill requires that an audio or digital recording of a meeting be made in accordance with the association's bylaws and requires that the recording of the open portion of the meeting be made available to the public. The bill requires that a vote during a meeting be taken in such a manner that the vote of each member is audible and verifiable as the vote of the member.

H.B. 1157, in a provision of law capping the total amount of assessments on a member insurer of the association, for each account maintained by the association, at two percent of the insurer's premiums on the policies covered by the account during the three calendar years preceding the year in which the insurer became an impaired or insolvent insurer, specifies that the cap percentage is based on the insurer's average annual premiums on the policies covered by the account during that three-year period and that the cap applies to the total amount of assessments in one calendar year. The bill makes its provisions regarding the cap apply to an assessment authorized on or after October 1, 2008, with respect to an insurer that first became impaired or insolvent after September 1, 2005.

H.B. 1157, in a provision excluding certain coverage from being a contractual obligation under which the Texas Life and Health Insurance Guaranty Association is required to provide payment, to raise from \$100,000 to \$250,000 the cap on the amount of coverage above which exclusion results for the following:

- the present value under one or more annuity contracts issued with respect to a single life under individual annuity policies or group annuity policies;
- the present value annuity benefits, in the aggregate, including any net cash surrender and net cash withdrawal values, with respect to each individual participating in a governmental retirement benefit plan under federal law, covered by an unallocated annuity contract or the beneficiary or beneficiaries of the individual if the individual is deceased;
- the present value annuity benefits, in the aggregate including any net cash surrender and net cash withdrawal values, with respect to each payee of a structured settlement annuity or the beneficiary or beneficiaries of the payee if the payee is deceased.

H.B. 1157 changes the amount that the association is required to remit to the domiciliary receiver out of the deposit paid to the association on the entry of a final order of liquidation or order approving a rehabilitation plan of an impaired or insolvent insurer from the full deposit paid to the association plus the portion of the deposit that the association is entitled to retain to the full deposit less the amount the association is entitled to retain.

H.B. 1157 authorizes the association to elect to succeed to the rights of an insolvent insurer under a contract of reinsurance to which the insolvent insurer is a party to the extent of the contractual obligations of the covered policies for which the association may become obligated and the extent that the reinsurance contract provides coverage for losses occurring after the association is obligated to provide coverage. The bill requires the association, as a condition of making such an election, to pay all unpaid premiums due under the reinsurance contract for coverage relating to a period before and after the date the association is obligated to provide coverage.

H.B. 1157 amends the Finance Code to make a conforming change to reflect the name change of the association.

H.B. 1157 amends the Government Code to make conforming changes to reflect the name change of the association.

**EFFECTIVE DATE**

September 1, 2011.