

BILL ANALYSIS

Senate Research Center

S.B. 841
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas currently prohibits insurance companies from investing in residential real estate. This prohibition is inconsistent with many states' policies on real estate investment, as well as the National Association of Insurance Commissioners' Model Act.

The Texas Department of Insurance, in its biennial report to the 83rd Legislature, identified allowing "additional investment authority for the largest, most financially stable insurers" as a way of attracting more companies to Texas.

S.B. 841 addresses this issue by amending Chapters 424 (Investments for Certain Insurers) and 425 (Reserves and Investments for Life Insurance Companies and Related Entities) of the Insurance Code to allow insurers with admitted assets of more than \$500 million to invest in residential real estate.

Additionally, S.B. 841 clarifies the ability of an insurance company to invest in securities of a company domiciled in a foreign jurisdiction.

S.B. 841 amends current law relating to certain authorized investments under the Insurance Code.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 424.064(d), Insurance Code, to provide that this subsection (relating to prohibiting an insurer from owning, developing, or holding an equity interest in any residential property or subdivision) does not apply to an insurer with admitted assets of \$10 billion or more.

SECTION 2. Amends Sections 424.068(a) and (b), Insurance Code, as follows:

(a) Authorizes an insurer, in addition to the investments in Canada authorized by Sections 424.051 (General Investment Authority Specified by Law), 424.058 (Authorized Investments: Form of Minimum Capital and Surplus), 424.059 (Authorized Investments: Government Obligations), 424.060 (Authorized Investments: Stock of National or State Bank), 424.061 (Authorized Investments: Deposits in Certain Financial Institutions), 424.062 (Authorized Investments: Certain Obligations of Partnership or Corporation), 424.063 (Authorized Investments: Mutual Funds), 424.064 (Authorized Investments: Real Property), 424.065 (Acting as Real Estate Broker or Salesperson Prohibited), 424.066 (Authorized Investments: Obligations Secured by Real Property Loans), 424.067 (Authorized Investments: Transportation Equipment), 424.068 (Authorized Investments: Investment in Foreign Jurisdiction), 424.069 (Authorized Investments: Certain Loans), 424.070 (Authorized Investments: Obligations of Local Governmental Entities), 424.071 (Authorized Investments: The University of Texas), and 424.074 (Other Specifically Authorized Investments) and subject to this section, to invest the insurer's funds in excess

of minimum capital and surplus in a foreign commonwealth, territory, or possession of the United States or a foreign country other than Canada, or invest in debt obligations and investments within a foreign commonwealth, territory, or possession of the United States or within a foreign country other than Canada. Makes nonsubstantive changes.

(b) Prohibits the aggregate amount of an insurer's investments in a single foreign jurisdiction under Sections 424.051, 424.058-424.071, and 424.074 or of an insurer's debt obligations or investments within in a single foreign jurisdiction from exceeding:

(1) Makes no changes to this subdivision;

(2) as to a debt obligation or investment within a foreign jurisdiction that is rated one or two by the securities valuation office, 10 percent of the insurer's admitted assets; or

(3) as to any foreign investment other than an investment described by Subdivision (1) or (2), rather than as to any other foreign jurisdiction, five percent of the insurer's admitted assets.

SECTION 3. Amends Section 425.119(f), Insurance Code, to provide that this subsection (relating to prohibiting an insurance company from owning, developing, or holding an equity interest in any residential property or subdivision) does not apply to an insurer with admitted assets of \$10 billion or more, as determined from the insurer's annual statements that are made as of the December 31 that precedes the date of the determination and are filed with the Texas Department of Insurance as required by law.

SECTION 4. Effective date: September 1, 2013.