

## **BILL ANALYSIS**

C.S.S.B. 841  
By: Hancock  
Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Under current law, insurance companies in Texas are prohibited from investing in residential real estate. Interested parties contend that this prohibition is inconsistent with many other states' policies on real estate investment as well as with certain model legislation. These parties further note that a recent report by the Texas Department of Insurance identified granting additional investment authority to the largest, most financially stable insurers as a way of attracting more insurance companies to Texas. C.S.S.B. 841 seeks to expand certain insurers' investment authority.

### **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**

C.S.S.B. 841 amends the Insurance Code to exempt any insurer organized under state law, other than an insurer writing life, health, and accident insurance, from the prohibition against an insurer owning, developing, or holding an equity interest in any residential property or subdivision, single or multiunit family dwelling property, or undeveloped real property to subdivide for or develop residential, single or multiunit family dwellings if the insurer has admitted assets of \$10 billion or more. The bill clarifies such an insurer's authorization 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 to invest in debt obligations and investments within one of those commonwealths, territories, possessions, or countries as well as in a foreign security originating in one of those commonwealths, territories, possessions, or countries. The bill caps the aggregate amount of an insurer's debt obligations or investments within a single foreign jurisdiction, as to a debt obligation or investment within a foreign jurisdiction that is rated one or two by the securities valuation office, at 10 percent of the insurer's admitted assets and clarifies that the limitations on the investments apply to both foreign jurisdictions and foreign securities.

C.S.S.B. 841 exempts a capital stock life, health, or accident insurer from the prohibition against an insurer owning, developing, or holding an equity interest in any residential property or subdivision, single or multiunit family dwelling property, or undeveloped real property to subdivide for or develop residential, single or multiunit family dwellings if the insurer has admitted assets of \$10 billion or more, as determined from the insurer's annual statements that are made as of December 31 that precedes the date of the determination and are filed with the Texas Department of Insurance as required by law.

### **EFFECTIVE DATE**

September 1, 2013.

## COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.S.B. 841 may differ from the engrossed version in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the engrossed and committee substitute versions of the bill.

### SENATE ENGROSSED

SECTION 1. Subsection (d), Section 424.064, Insurance Code, is amended.

SECTION 2. Subsections (a) and (b), Section 424.068, Insurance Code, are amended to read as follows:

(a) In addition to the investments in Canada authorized by Sections 424.051, 424.058-424.071, and 424.074 and subject to this section, an insurer may invest the insurer's funds in excess of minimum capital and surplus or invest in debt obligations and investments in [an investment 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 [a foreign security originating in one of those commonwealths, territories, possessions, or countries], if:

(1) the investment is similar to investments the insurer is authorized by Sections 424.051, 424.058-424.071, and 424.074 to make within the United States or Canada; and

(2) the [if a] debt obligation or [; the] investment is rated one or two by the securities valuation office.

(b) 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 may not exceed:

(1) as to a foreign jurisdiction that is given a sovereign debt rating of one by the securities valuation office, 10 percent of the insurer's admitted assets; ~~[or]~~

(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 insured's admitted assets; or

(3) as to any ~~[other]~~ foreign investment other than an investment described by

### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Same as engrossed version except for recitation.

SECTION 2. Sections 424.068(a) and (b), Insurance Code, are amended to read as follows:

(a) In addition to the investments in Canada authorized by Sections 424.051, 424.058-424.071, and 424.074 and subject to this section, an insurer may invest the insurer's funds in excess of minimum capital and surplus in [an investment 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 [a foreign security originating in one of those commonwealths, territories, possessions, or countries,] if:

(1) the investment is similar to investments the insurer is authorized by Sections 424.051, 424.058-424.071, and 424.074 to make within the United States or Canada; and

(2) the [if a] debt obligation or [; the] investment is rated one or two by the securities valuation office.

(b) 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 may not exceed:

(1) as to a foreign jurisdiction that is given a sovereign debt rating of one by the securities valuation office, 10 percent of the insurer's admitted assets; ~~[or]~~

(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 ~~[other]~~ foreign investment other than an investment described by

Subdivision (1) or (2) [jurisdiction], five percent of the insurer's admitted assets.

SECTION 3. Subsection (f), Section 425.119, Insurance Code, is amended.

SECTION 4. This Act takes effect September 1, 2013.

Subdivision (1) or (2) [jurisdiction], five percent of the insurer's admitted assets.

SECTION 3. Same as engrossed version except for recitation.

SECTION 4. Same as engrossed version.