

By: Eiland

H.B. No. 3451

A BILL TO BE ENTITLED

AN ACT

relating to licensing and ongoing requirements for insurance companies

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

SECTION 1. Title 6, Chapter 801, Insurance Code is amended to read as follows:

CHAPTER 801. INCORPORATION AND CERTIFICATE OF AUTHORITY

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 801.001. APPLICABILITY OF LAW GOVERNING CORPORATIONS.

An insurance company incorporated in this state is subject to the Texas Business Organizations Code, and any other law of this state that governs corporations in general to the extent those laws are not inconsistent with this code.

801.002~~±~~: DEFINITIONS. In this chapter:

(1) "Control" has the meaning described by Section 823.005.

(2) "Insurer" or "Insurance Company" means the issuer of an insurance policy that is issued to another in consideration of a premium and that insures against a loss that may be insured against under the law. An insurer or insurance company includes:

(A) A stock company operating under a valid charter and/or license.

(B) A mutual company operating under a valid charter and/or license.

1 (C) Any of the following, operating under a valid
2 license:
3 (i) a statewide mutual assessment
4 association;
5 (ii) a local mutual aid association or
6 burial association;
7 (iii) a county or farm mutual insurance
8 company;
9 (iv) a reciprocal or interinsurance
10 exchange;
11 (v) a group hospital service corporation;
12 (vi) a fraternal benefit society;
13 (vii) a Lloyd's plan;
14 (viii) a Stipulated premium company
15 (ix) a health maintenance organization;
16 (x) a nonprofit legal services corporation;
17 and
18 (xi) any foreign company, Alien company,
19 port of entry or branch office.

20 ~~The term includes a:~~
21 ~~(A) fraternal benefit society,~~
22 ~~(B) Lloyd's plan,~~
23 ~~(C) mutual company of any kind, including a:~~
24 ~~(i) statewide mutual assessment~~
25 ~~association,~~
26 ~~(ii) local mutual aid association or burial~~
27 ~~association, and~~

- ~~(iii) county or farm mutual insurance company;~~
- ~~(D) reciprocal or interinsurance exchange;~~
- ~~(E) group hospital service corporation;~~
- ~~(F) health maintenance organization;~~
- ~~(G) nonprofit legal services corporation; and~~
- ~~(H) stock company.~~

(3) "Person" has the meaning assigned by Section 823.002.

Sec. 801.0023. EXEMPTION FOR CERTAIN FRATERNAL BENEFIT SOCIETIES. This chapter does not apply to a fraternal benefit society that:

(1) sells insurance policies only as an incidental benefit to its members; and

(2) on September 6, 1955, was:

(A) organized and licensed by the department as a fraternal benefit society; or

(B) exempt under former Article 10.12 or 10.38, revised as Section 885.004.

SUBCHAPTER B INCORPORATION OF INSURANCE COMPANIES

Sec. 801.004 FORMATION OF COMPANY. Any number of persons or incorporators may form a company for the purpose of engaging in the business of insurance.

(b) To form a company, each incorporator must adopt and sign the articles of incorporation of the company as provided by this chapter.

(c) Incorporators shall appoint the initial board of

1 directors, which at no time should number less than three. Initial
2 board members will appoint the officers/managers of the proposed
3 insurer. Upon approval of incorporation and license, the initial
4 board members and shareholder/members shall meet to formally
5 appoint the board of directors, and officers of the incorporated
6 insurer.

7 (d) The board of directors, its trustees, or managers, shall
8 adopt and amend bylaws that include provisions establishing the
9 qualifications, duties, and terms of office of and the manner of
10 electing directors, trustees, or managers and officers of the
11 company. The by-laws shall at a minimum, shall require an annual
12 meeting of the board of directors and shareholders/members whereby
13 directors and officers are appointed/elected.

14 (e) An insurer may sue or be sued.

15 (f) An insurer may make or enforce contracts in relation to
16 the business of the insurer.

17 (g) An insurer may in its own name, or through a trustee
18 chosen by the board of directors, acquire, purchase, hold, and
19 dispose of real and personal property to further the purposes of the
20 company.

21 Sec. 801.005. ARTICLES OF INCORPORATION. (a)Articles of
22 incorporation of a proposed insurance company must state:

23 (1) the name of the insurance company;

24 (2) The address of the Insurance Company where its
25 registered agent for service of process in the State of Texas is
26 located;

27 (3) The type of insurance company, whether a stock or

1 mutual company

2 (4) the kind of insurance business in which the
3 company proposes to engage;

4 (5) If stock, the amount of the company's authorized
5 shares, par value, and initial shares fully issued and subscribed,
6 representing initial funding which should include minimum capital
7 and minimum surplus. If no par value, a statement authenticated by
8 the incorporators stating the number of shares without par value
9 that are subscribed; and the actual consideration received by the
10 company for those shares, representing initial funding which should
11 include minimum capital and minimum surplus.

12 (6) If mutual, the initial amount of the company's
13 unencumbered surplus, which should include minimum unencumbered
14 surplus, representing minimum requirements and initial funding.

15 (b) Articles of incorporation shall be submitted as part of
16 an application to incorporate and license a Texas insurer.
17 Articles of incorporation shall be submitted in a format prescribed
18 by the Commissioner.

19 Sec. 801.006. CAPITAL STOCK AND SURPLUS REQUIREMENTS. (a)
20 A stock property and casualty insurance company must have capital
21 stock in an amount of at least \$2.5 million and surplus in an amount
22 of at least \$2.5 million. A mutual property and casualty insurance
23 company must have unencumbered surplus of no less than \$5 million.

24 (b) A stock life insurance company must have capital stock
25 in an amount of at least \$700 thousand and surplus in an amount of at
26 least \$700 thousand. A mutual life insurance company must have
27 unencumbered surplus of no less than \$1.4 million.

1 (c) At the time of incorporation, the required capital,
2 surplus, and unencumbered surplus must be in cash or cash
3 equivalent.

4 (d) After incorporation and the issuance of a certificate of
5 authority to an insurance company, the minimum capital stock and
6 surplus of the company may consist only of:

7 (1) United States currency;

8 (2) bonds of this state;

9 (3) bonds or other evidences of indebtedness of the
10 United States the principal and interest of which are guaranteed by
11 the United States;

12 (4) bonds or other interest-bearing evidences of
13 indebtedness of a county or municipality of this state; and

14 (5) notes secured by first mortgages:

15 (A) on otherwise unencumbered real property in
16 this state the title to which is valid; and

17 (B) the payment of which is insured wholly or
18 partly by the United States.

19 (b) Not more than 50 percent of the minimum capital stock
20 and minimum surplus of an insurance company may be invested in an
21 investment described by Subsection (d)(5).

22 Sec. 801.007. COMMISSIONER MAY REQUIRE LARGER CAPITAL AND
23 SURPLUS AMOUNTS. (a) The commissioner by rule or guideline may
24 require a domestic insurance company to maintain capital and
25 surplus in amounts that exceed the minimum amounts required by this
26 chapter because of:

27 (1) the nature and kind of risks the company

1 underwrites or reinsures;

2 (2) the premium volume of risks the company
3 underwrites or reinsures;

4 (3) the composition, quality, duration, or liquidity
5 of the company's investment portfolio;

6 (4) fluctuations in the market value of securities the
7 company holds; or

8 (5) the adequacy of the company's reserves.

9 (b) A rule adopted under Subsection (a) must be designed to
10 ensure the financial solvency of an insurance company for the
11 protection of policyholders.

12 (c) A rule adopted under Subsection (a) may not require that
13 the total admitted assets of a life, health, or accident company
14 exceed 106 percent of its total liabilities.

15 (d) An insurance company that ceases to write or assume
16 business continues to be subject to this section.

17 Sec. 801.008. IMPAIRMENT OF CAPITAL AND SURPLUS. (a) An
18 insurance company incorporated or authorized to do the lines of
19 business authorized in this chapter may not have:

20 (1) the company's required capital impaired;

21 (2) more than 90 percent of the company's required
22 minimum surplus impaired; or

23 (3) the surplus required under Section 841.205
24 impaired.

25 (b) If the commissioner determines that an insurance
26 company's capital or surplus is impaired in violation of this
27 section, the commissioner shall:

1 (1) order the company to immediately reduce the level
2 of impairment to an acceptable level of impairment as specified by
3 the commissioner or prohibit the company from engaging in the
4 business of insurance in this state; and

5 (2) begin proceedings as necessary to determine any
6 further actions with respect to the impairment.

7 Sec. 801.009. ACTIONS OF COMMISSIONER WHEN CAPITAL AND
8 SURPLUS REQUIREMENTS NOT SATISFIED. If an insurance company does
9 not comply with the capital and surplus requirements of this
10 chapter, the commissioner may order the insurance company to cease
11 writing new business and may:

12 (1) take action under Chapter 406, 441, or 443 of the
13 Texas Insurance Code;

14 (2) declare the insurance company to be in a hazardous
15 condition as provided by Subchapter A, Chapter 404;

16 (3) declare the insurance company to be impaired; or

17 (4) apply to the insurance company any other
18 applicable sanction provided by this code.

19 Sec. 801.010. EXAMINATION OF COMPANY. Unless expressly
20 states elsewhere in the Code, any insurance company organized under
21 this Chapter is subject to examination under Chapters 86, 401, 751,
22 and 823 of the Code.

23 Sec. 801.011. COMPANY NAME. An insurance company's name
24 may not be so similar to the name of another insurance company as to
25 likely mislead the public. A mutual insurance company must have
26 "mutual" in its name.

27 Sec. 801.012. SAME OR DECEPTIVELY SIMILAR NAME. A foreign

1 or alien insurance company may not be denied permission to engage in
2 the business of insurance in this state because the name of the
3 company is the same as or deceptively similar to the name of a
4 domestic corporation existing under the laws of this state or of
5 another foreign or alien insurance company authorized to engage in
6 the business of insurance in this state if the company desiring to
7 engage in the business of insurance in this state:

8 (1) files with the department an assumed name
9 certificate stating a name permitted under the laws of this state;
10 and

11 (2) does not engage in any business in this state
12 except under the assumed name.

13 SUBCHAPTER C ACTION BY THE COMMISSIONER ON LICENSE APPLICATION,
14 AMENDMENTS, AND RELATED MANAGEMENT COMPETENCE, FITNESS, OR
15 REPUTATION

16 Sec. 801.013. APPLICATION FOR CHARTER AND CERTIFICATE OF
17 AUTHORITY. To obtain a charter and certificate of authority, the
18 incorporators/managers must pay to the department a filing fee as
19 set out in Chapter 202 of the Texas Insurance Code and any
20 applicable rules and file with the department an application for
21 charter and certificate of authority, which must include:

22 (a) the proposed articles of incorporation;

23 (b) Companies will use processes and related forms adopted
24 by the NAIC for charter and license application, whatever the
25 current version is,

26 (c) if the application provides for the issuance of shares
27 of stock without par value, a certificate authenticated by the

1 incorporators or officers stating:

2 (1) the number of shares without par value that are
3 subscribed; and

4 (2) the actual consideration received by the insurance
5 company for those shares.

6 Sec. 801.014. ACTION ON CHARTER AND/OR LICENSE APPLICATION
7 OR CHARTER AND/OR LICENSE AMENDMENT APPLICATION. (a) In considering
8 the application for charter and/or license or amendment of charter
9 and/or license and after such items are filed with the department,
10 the commissioner shall conduct an examination, limited to the
11 incorporation application and related information, and shall
12 conduct a review to determine if:

13 (1) the proposed capital structure of the company
14 meets the requirements of this code;

15 (2) the proposed officers, directors, attorney in
16 fact, or managing head of the company have sufficient insurance
17 experience, ability, standing, and good record to make success of
18 the company probable;

19 (3) the company's funding plan and/or operational
20 history demonstrates that the expanded operation of the company in
21 this state or its operations outside this state will not create a
22 condition that might be hazardous to the company's policyholders or
23 creditors or to the public;

24 (4) if the proposed amendment relates to a diminution
25 of the insurance company's charter powers with respect to the kinds
26 of insurance business in which the company may be engaged, all
27 liabilities incidental to the exercise of the powers to be

1 eliminated have been terminated or wholly reinsured; and

2 (5) the property involved in an increase of capital or
3 surplus, or both, is:

4 (A) properly valued; and

5 (B) in the form authorized by the Texas Insurance
6 Code; and

7 (6) the applicants are acting in good faith.

8 (b) If the commissioner determines that the applicant has
9 not met the standards set out by Subsection (a), the commissioner
10 shall deny the application and/or amendment filing in writing,
11 giving the reason for the denial.

12 (c) If the commissioner does not deny the application and/or
13 amendment filing under Subsection (b), the commissioner shall
14 approve the application and/or amendment for charter and/or
15 license.

16 (d) On the applicant's request, the commissioner shall hold
17 a hearing on a denial. Not later than the 30th day after the date of
18 the applicant's request for a hearing, the commissioner shall
19 request a hearing date.

20 Sec. 801.015. ISSUANCE OF CERTIFICATE PROHIBITED. The
21 department may not issue a certificate of authority to an applicant
22 if a corporate officer, member of the board of directors, or person
23 having control of the applicant has been convicted of a felony
24 involving:

25 (1) moral turpitude; or

26 (2) breach of a fiduciary duty.

27 Sec. 801.016. REVOCATION OF CERTIFICATE. (a) The

1 department may revoke the certificate of authority of an insurer if
2 a corporate officer, member of the board of directors, or person
3 having control of the insurer is convicted of a felony involving:

4 (1) moral turpitude; or

5 (2) breach of a fiduciary duty.

6 Sec. 801.017. PETITION FOR ISSUANCE OR REINSTATEMENT OF
7 CERTIFICATE. (a) A company may petition the commissioner for
8 issuance or reinstatement of a certificate of authority of the
9 company that is denied or revoked under Section 801.014:

10 (1) not earlier than the later of:

11 (A) the fifth anniversary of the date of the
12 final conviction; or

13 (B) if the officer, director, or person having
14 control is sentenced to confinement or imprisonment or placed on
15 community supervision, the fifth anniversary of the date the
16 officer or director completes the sentence or period of community
17 supervision; or

18 (2) after the officer or director ceases to be an
19 officer or director of the insurer, or named person relinquishes
20 control of the insurer.

21 (b) The commissioner shall grant a petition for issuance or
22 reinstatement of a certificate of authority under this subchapter
23 if the petitioner demonstrates that granting the petition would be
24 in the public interest and that justice would best be served by
25 granting the petition.

26 (c) The department may adopt rules under this Section
27 prescribing the contents of a petition for issuance or

1 reinstatement of a certificate of authority.

2 Sec. 801.018: Adoption of National Association of Insurance
3 Commissioners Licensing Standards

4 (a) All domestic, foreign, or alien insurance companies
5 seeking to become authorized to engage in the business of insurance
6 in this state shall do so by utilizing the most current versions of
7 any processes and related forms adopted by the National Association
8 of Insurance Commissioners for charter and license application.

9 (b) All domestic, foreign, or alien insurance companies
10 authorized to engage in the business of insurance in the state of
11 Texas, in requesting an amendment to any certificate of authority
12 or charter, shall utilize the most current versions of applicable
13 processes and forms adopted by the National Association of
14 Insurance Commissioners.

15 (c) Any insurer authorized under Chapter 801 shall provide
16 written notice to the Department, ,in the manner prescribed by the
17 Commissioner, of any change in contact information within thirty
18 calendar days from the change.

19 (d) Any insurer authorized under Chapter 801 shall provide
20 written notice to the Department, in the manner prescribed by the
21 Commissioner, of any change in officers or directors within thirty
22 calendar days of instatement.

23 (e) Nothing in this Section relieves an insurer of any
24 obligation set out under Chapter 823 of the Code.

25 (f) The commissioner may exempt any class of insurance
26 companies from the requirements of this section if the commissioner
27 believes the information required under this subchapter will not be

1 useful for regulatory purposes.

2 SEC. 801.019 APPLICATION FOR AMENDMENT OF CHARTER. A
3 domestic insurance company may amend its charter by filing with the
4 department:

5 (1) an application for a charter amendment on the form
6 and containing the information prescribed by the commissioner; and

7 (2) the company's proposed amendment.

8 SUBCHAPTER C ~~B~~. CERTIFICATE OF AUTHORITY

9 ~~Sec. 801.051. APPROVAL, DENIAL, OR DISAPPROVAL OF~~
10 ~~APPLICATION FOR CERTIFICATE, ELIGIBILITY, HEARING. (a) The~~
11 ~~department shall approve, deny, or disapprove an application for a~~
12 ~~certificate of authority to act as an insurer.~~

13 ~~(b) If the department determines that the applicant has~~
14 ~~complied with the law, the department shall approve the application~~
15 ~~and issue under the department's seal a certificate of authority to~~
16 ~~act as an insurer.~~

17 ~~(c) On the applicant's request, the commissioner shall hold~~
18 ~~a hearing on a denial. Not later than the 30th day after the date of~~
19 ~~the applicant's request for a hearing, the commissioner shall~~
20 ~~request a hearing date.~~

21 Sec. 801.052. EFFECT AND CONTENTS OF CERTIFICATE. (a) A
22 certificate of authority issued to an insurer under this chapter
23 authorizes the insurer to engage in the business of insurance. The
24 certificate of authority must state the specific lines of business
25 or kind of insurance authorized under the certificate. A line of
26 insurance or kinds of insurance are defined as each line of business
27 as specified in this section, but are not limited to and may include

1 any line of business promulgated on the annual statement pages for
2 which financial data is required to be reported by the insurer or
3 HMO.

4 (b) For an insurer that is required to file the Life and
5 Accident and Health Annual Statement, each of the following is a
6 line of business:

7 (1) ordinary life;

8 (2) group and individual credit life;

9 (3) group life;

10 (4) industrial life;

11 (5) ordinary annuity;

12 (6) group annuity;

13 (7) ordinary annuity and other fund deposits (variable
14 life/variable annuity);

15 (8) group annuity and other fund deposits (variable
16 life/variable annuity);

17 (9) small employer coverage;

18 (10) group and individual credit accident and health;

19 (11) individual accident and health coverage
20 including collectively renewable accident and health,

21 noncancellable accident and health, guaranteed renewable accident
22 and health, non-renewable for stated reasons only accident and

23 health, and other accident only;

24 (12) group accident and health other than association,
25 large employer or small employer coverage;

26 (13) Medicare+Choice plan;

27 (14) CHIP coverage;

- 1 (15) association coverage;
2 (16) large employer coverage.
3 (17) medicare supplement
4 (c) For an insurer that is required to file the Property and
5 Casualty Annual Statement each of the following is a line of
6 insurance:
7 (1) fire;
8 (2) allied lines;
9 (3) earthquake;
10 (4) flood;
11 (5) farmowners multiple peril;
12 (6) homeowners multiple peril;
13 (7) Texas commercial multiple peril (non-liability
14 portion);
15 (8) growing crops (all other);
16 (9) multiple peril crop;
17 (10) inland marine;
18 (11) ocean marine;
19 (12) small employer coverage;
20 (13) group and individual credit accident and health;
21 (14) individual accident and health coverage
22 including collectively renewable accident and health,
23 noncancellable accident and health, guaranteed renewable accident
24 and health, non-renewable for stated reasons only accident and
25 health, and other accident only;
26 (15) group accident and health other than association,
27 large employer or small employer coverage;

- 1 (16) Medicare+Choice plans;
2 (17) CHIP coverage;
3 (18) association coverage;
4 (19) large employer coverage;
5 (20) workers compensation/employers liability;
6 (21) Texas commercial multiple peril (liability
7 portion);
8 (22) financial guaranty;
9 (23) medical malpractice liability
10 (physicians--including surgeons and osteopaths);
11 (24) medical malpractice liability (all other health
12 care professionals);
13 (25) medical malpractice liability--hospitals;
14 (26) medical malpractice liability (all other health
15 care facilities);
16 (27) product liability;
17 (28) other general liability; including professional
18 liability
19 (29) fidelity and surety
20 (30) bail bonds
21 (31) glass;
22 (32) burglary and theft; including forgery
23 (33) boiler and machinery;
24 (34) credit;
25 (35) mortgage guaranty (type I and type II);
26 (36) aircraft (all perils);
27 (37) private passenger auto no-fault personal injury

1 protection;

2 (38) other private passenger auto liability;

3 (39) commercial auto no-fault personal injury

4 protection;

5 (40) other commercial auto liability;

6 (41) private passenger auto physical damage;

7 (42) commercial auto physical damage.

8 (43) hail (growing crops only)

9 (44) rain

10 (45) title

11 (46) livestock mortality

12 (47) medicare supplement; and

13 (48) warranty, including contractual liability.

14 (d) For an HMO or insurer that is required to file the Health
15 Statement each of the following is a line of insurance:

16 (1) small employer coverage;

17 (2) large employer coverage;

18 (3) health care services for Medicaid delivered under
19 a contract with the Texas Health and Human Services Commission;

20 (4) health care services for Medicare or a
21 Medicare+Choice plan delivered under a contract with the federal
22 Centers for Medicare and Medicaid Service;

23 (5) CHIP coverage;

24 (6) individual coverage;

25 (7) association coverage;

26 (8) limited service group coverage;

27 (9) limited service individual coverage;

- 1 (10) single service group coverage; and
- 2 (11) single service individual coverage.
- 3 (12) medicare supplement

4 Sec. 801.053. DURATION OF CERTIFICATE. A certificate of
5 authority issued to an insurer under this chapter is effective
6 until it is suspended or revoked.

7 Sec. 801.054. PREFERENCE FOR DOMESTIC COMPANY. In issuing
8 a certificate of authority to an applicant under this chapter, the
9 department shall give preference to an application submitted by a
10 domestic company.

11 Sec. 801.055. DEPOSIT OF FEES. A fee collected by the
12 department under this chapter for a charter or certificate of
13 authority shall be deposited to the credit of the Texas Department
14 of Insurance operating account.

15 Sec. 801.056. FAILURE TO PROVIDE COMPLETE SET OF
16 FINGERPRINTS: GROUND FOR DENIAL OF APPLICATION. (a) In this
17 section, "authorization" means any authorization issued by the
18 department to engage in an activity regulated under this code,
19 including:

- 20 (1) a certificate of authority;
- 21 (2) a certificate of registration;
- 22 (3) a license; and
- 23 (4) a permit.

24 (b) The department may deny an application for an
25 authorization if the applicant or a corporate officer, director, or
26 person having control of the applicant fails to provide a complete
27 set of fingerprints on request by the department.

1 Sec. 801.057. FAILURE TO FILE ANNUAL OR QUARTERLY
2 STATEMENT: GROUND FOR REVOCATION OR SUSPENSION. A certificate of
3 authority of an insurer that fails to file an annual or quarterly
4 statement required by law is subject to being suspended or revoked
5 by the department.

6 SUBCHAPTER ~~D~~E. COMPETENCE, FITNESS, OR REPUTATION

7 Sec. 801.101. DEPARTMENT INQUIRY. The department may
8 inquire into the competence, fitness, or reputation of:

- 9 (1) an officer or director of an insurer; or
10 (2) a person having control of an insurer.

11 Sec. 801.102. DENIAL OF APPLICATION OR REVOCATION OF
12 CERTIFICATE. (a) If after conducting an inquiry under Section
13 801.101 the department determines that the person who is the
14 subject of the inquiry is not worthy of the public confidence, the
15 department shall:

- 16 (1) deny the application for a certificate of
17 authority; or
18 (2) revoke the insurer's certificate of authority.

19 (b) On the applicant's request, the commissioner shall hold
20 a hearing on a denial or revocation. Not later than the 30th day
21 after the date of the applicant's request for a hearing, the
22 commissioner shall request a hearing date.

23 ~~SUBCHAPTER D. FELONY CONVICTION~~

24 ~~Sec. 801.151. ISSUANCE OF CERTIFICATE PROHIBITED. Except~~
25 ~~as provided by Sections 801.153 and 801.154, the department may not~~
26 ~~issue a certificate of authority to an applicant if a corporate~~
27 ~~officer or member of the board of directors of the applicant has~~

1 ~~been convicted of a felony involving:~~

2 ~~(1) moral turpitude; or~~

3 ~~(2) breach of a fiduciary duty.~~

4 ~~Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.~~

5 ~~Sec. 801.152. REVOCATION OF CERTIFICATE. After notice and~~
6 ~~hearing, the department may revoke the certificate of authority of~~
7 ~~an insurer if a corporate officer or member of the board of~~
8 ~~directors of the insurer is convicted of a felony involving:~~

9 ~~(1) moral turpitude; or~~

10 ~~(2) breach of a fiduciary duty.~~

11 ~~Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.~~

12 ~~Sec. 801.153. PETITION FOR ISSUANCE OR REINSTATEMENT OF~~
13 ~~CERTIFICATE. A company may petition the commissioner for issuance~~
14 ~~or reinstatement of a certificate of authority of the company that~~
15 ~~is denied or revoked under this subchapter:~~

16 ~~(1) not earlier than the later of:~~

17 ~~(A) the fifth anniversary of the date of the~~
18 ~~final conviction; or~~

19 ~~(B) if the officer or director is sentenced to~~
20 ~~confinement or imprisonment or placed on community supervision, the~~
21 ~~fifth anniversary of the date the officer or director completes the~~
22 ~~sentence or period of community supervision; or~~

23 ~~(2) after the officer or director ceases to be an~~
24 ~~officer or director of the insurer.~~

25 ~~Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.~~

26 ~~Sec. 801.154. GRANT OF PETITION. The commissioner shall~~
27 ~~grant a petition for issuance or reinstatement of a certificate of~~

1 ~~authority under this subchapter if the petitioner demonstrates that~~
2 ~~granting the petition would be in the public interest and that~~
3 ~~justice would best be served by granting the petition.~~

4 ~~Sec. 801.155. RULES RELATING TO CONTENTS OF PETITION. The~~
5 ~~department may adopt rules under this subchapter prescribing the~~
6 ~~contents of a petition for issuance or reinstatement of a~~
7 ~~certificate of authority.~~

8 SECTION 2. Title 6, Chapter 802, Insurance Code is amended
9 to read as follows:

10 CHAPTER 802. ANNUAL AND QUARTERLY STATEMENT and STANDARDS

11 ~~SUBCHAPTER A. ANNUAL AND QUARTERLY STATEMENTS OF INSURANCE~~

12 ~~COMPANIES~~

13 Sec. 802.001. APPLICABILITY. This chapter applies to all
14 insurers and certain other regulated entities authorized to do the
15 business of insurance in this state and includes, but is not limited
16 to, life insurers; accident insurers; life and accident insurers;
17 life and health insurers; accident and health insurers; life,
18 accident and health insurers; mutual life insurers; stipulated
19 premium insurers; limited purpose subsidiary life insurance
20 companies under the Insurance Code Chapter 841, Subchapter I; group
21 hospital service corporations; fire insurers; fire and marine
22 insurers; U.S. branches of alien insurers; Mexican casualty
23 insurers; general casualty insurers; fire and casualty insurers;
24 mutual insurers other than life; statewide mutual assessment
25 companies; local mutual aid associations; mutual burial
26 associations; exempt associations; county mutual insurers; Lloyd's
27 plans; reciprocal and inter-insurance exchanges; domestic risk

1 retention groups; domestic joint underwriting associations; title
2 insurers; fraternal benefit societies; farm mutual insurers;
3 health maintenance organizations; nonprofit health corporations;
4 nonprofit legal services corporations; the Texas Health Insurance
5 Pool; the Texas Mutual Insurance Company; the Texas Windstorm
6 Insurance Association; and the Texas FAIR Plan Association.

7 Section 802.001~~2~~. ~~FORM OF ANNUAL STATEMENT, QUARTERLY~~
8 STATEMENT, AND ACTUARIAL OPINION. (a) Insurers and other regulated
9 entities must properly report each calendar year to the department
10 and the National Association of Insurance Commissioners by
11 completing, in accordance with applicable instructions, due dates,
12 and rules, the appropriate paper copy annual and quarterly
13 statement blanks, other reporting forms, and electronic filings
14 specified in this section and applicable rules.

15 (b) Each insurer other regulated entity authorized to do the
16 business of insurance in this state must file its annual statement
17 using:

18 (1) the annual statement blanks, the quarterly
19 statement blanks, the annual and quarterly supplemental reporting
20 forms, and the related instruction manuals as adopted and published
21 by the National Association of Insurance Commissioners each year;
22 and

23 (2) any the Texas-specific reporting forms specified
24 by rule.

25 (c) If an insurer fails to deliver an annual or quarterly
26 statement in a timely manner, the department shall notify the
27 company that the company may not issue new insurance until the

1 statement is delivered to the department.

2 (d) In this section, "qualified actuary" means:

3 (1) a member in good standing of the American Academy
4 of Actuaries; or

5 (2) a person who has otherwise demonstrated actuarial
6 competence to the satisfaction of the commissioner or an insurance
7 regulatory official of another state in which the insurance company
8 is domiciled.

9 (d) An insurance company's annual statement must include a
10 statement of a qualified actuary entitled "Statement of Actuarial
11 Opinion," as set out in this Section and applicable rules, that:

12 (1) is located on or is attached to the first page of
13 the annual statement; and

14 (2) provides the opinion of the actuary relating to
15 policy reserves and other actuarial items for life insurance,
16 accident and health insurance, and annuities, or loss and loss
17 adjustment expense reserves for property and casualty risks, as
18 described in the annual statement instructions of the National
19 Association of Insurance Commissioners as appropriate for the type
20 of risks insured.

21 ~~(a) The commissioner, as necessary to obtain an accurate~~
22 ~~indication of the company's condition and method of transacting~~
23 ~~business, may change the form of any annual statement required to be~~
24 ~~filed by any kind of insurance company.~~

25 ~~(b) The form may require only information that relates to~~
26 ~~the business of the insurance company.~~

27 ~~Sec. 802.002. ACTUARIAL OPINION REQUIRED. (a) In this~~

1 ~~section, "qualified actuary" means:~~

2 ~~(1) a member in good standing of the American Academy~~
3 ~~of Actuaries; or~~

4 ~~(2) a person who has otherwise demonstrated actuarial~~
5 ~~competence to the satisfaction of the commissioner or an insurance~~
6 ~~regulatory official of another state in which the insurance company~~
7 ~~is domiciled.~~

8 ~~(b) An insurance company's annual statement must include a~~
9 ~~statement of a qualified actuary entitled "Statement of Actuarial~~
10 ~~Opinion" that:~~

11 ~~(1) is located on or is attached to the first page of~~
12 ~~the annual statement; and~~

13 ~~(2) provides the opinion of the actuary relating to~~
14 ~~policy reserves and other actuarial items for life insurance,~~
15 ~~accident and health insurance, and annuities, or loss and loss~~
16 ~~adjustment expense reserves for property and casualty risks, as~~
17 ~~described in the annual statement instructions of the National~~
18 ~~Association of Insurance Commissioners as appropriate for the type~~
19 ~~of risks insured.~~

20 Sec. 802.003. FILING DATE OF ANNUAL STATEMENT DELIVERED BY
21 POSTAL SERVICE. Except as otherwise specifically provided, for an
22 annual statement that is required to be filed in the offices of the
23 commissioner and that is delivered by the United States Postal
24 Service to the offices of the commissioner after the date on which
25 the annual statement is required to be filed, the date of filing is
26 the date of:

27 (1) the postal service postmark stamped on the cover

1 in which the document is mailed; or

2 (2) any other evidence of mailing authorized by the
3 postal service reflected on the cover in which the document is
4 mailed.

5 Sec. 802.00452. CONCURRENT FILING WITH NATIONAL
6 ASSOCIATION OF INSURANCE COMMISSIONERS. (a) Each domestic,
7 foreign, or alien insurance company authorized to engage in the
8 business of insurance in this state shall file a copy of the
9 company's annual and quarterly statements with the National
10 Association of Insurance Commissioners at the time the company
11 files the statements with the commissioner.

12 (b) The statements required by Subsection (a) must:

13 (1) meet requirements adopted by the commissioner,
14 including:

15 (A) a change in substance or form;

16 (B) an additional filing; and

17 (C) any requirement that the statement be in a
18 computer compatible format; and

19 (2) include the signed jurat page and the actuarial
20 opinion, as required by the jurisdiction in which the insurance
21 company is domiciled.

22 (c) The insurance company shall also file with the National
23 Association of Insurance Commissioners a copy of any amendment or
24 addition to the annual or quarterly statements that is subsequently
25 filed with the commissioner.

26 Sec. 802.00553. EXEMPTION AUTHORITY. The commissioner may
27 exempt any class of insurance companies from the requirements of

1 this subchapter if the commissioner believes the information
2 required under this subchapter will not be useful for regulatory
3 purposes.

4 Sec. 802.006~~54~~. COMPLIANCE. The commissioner may consider a
5 foreign insurance company to be in compliance with the requirements
6 of Section 802.004 if the company is domiciled in a state with a law
7 substantially similar to that section.

8 Sec. 802.007~~55~~. COSTS PAID BY INSURANCE COMPANY. An
9 insurance company shall pay all costs of preparing and furnishing
10 to the National Association of Insurance Commissioners the
11 information required under Section 802.004, including any related
12 filing fees.

13 Sec. 802.008~~56~~. STATUS OF REPORTS AND OTHER INFORMATION. A
14 report or any other information resulting from the collection,
15 review, analysis, and distribution of information developed from
16 the filing of annual statement convention blanks and provided to
17 the department by the National Association of Insurance
18 Commissioners is considered part of the process of examination of
19 insurance companies under this code, including Chapters 86 401, and
20 823.

21 Sec. 802.009. ADOPTION OF ACCOUNTING AND FINANCIAL
22 STANDARDS. (a) Each domestic, foreign, or alien insurance company
23 authorized to engage in the business of insurance in this state
24 shall utilize the applicable Accounting Practices and Procedures
25 Manual, Supplements, Amendments, and related guidance as adopted
26 and published by the National Association of Insurance
27 Commissioners each year, subject to any exceptions and

1 modifications set out by the commissioner by rule. The department
2 adopts the Accounting Practices and Procedures Manual and related
3 guidance as adopted and published by the National Association of
4 Insurance Commissioners each year, subject to any exceptions and
5 modifications set out by the commissioner by rule, as the source of
6 accounting principles for the department when analyzing financial
7 reports and for conducting statutory examinations and
8 rehabilitations of insurers and health maintenance organizations
9 licensed in Texas, except where otherwise provided by law.

10 (b) Each domestic, foreign, or alien insurance company
11 authorized to engage in the business of insurance in this state
12 shall utilize and abide by the Risk-Based Capital Report Including
13 Overview and Instructions for Companies, as appropriate based on
14 the particular line(s) of business, and the risk-based capital
15 formulas contained therein, as adopted and published by the
16 National Association of Insurance Commissioners each year, subject
17 to any exceptions and modifications set out by the commissioner by
18 rule. Each company subject to this subsection must file as
19 electronic version of its yearly Risk-Based Capital Report and any
20 supplemental forms and reports with the National Association of
21 Insurance Commissioner in accordance with and by the due dates
22 specified in the Instructions.

23 (c) An insurer providing only casualty insurance as defined
24 in Chapter 822 may include in its assets, if the total value of the
25 equipment exceeds \$2,000, the value of all electronic machines that
26 comprise a data processing system and of all other office
27 equipment, furniture, machines, and labor-saving devices purchased

1 for and used in connection with the business of an insurance company
2 to the extent that the total actual cash market value of those
3 assets is less than five percent of the other admitted assets of the
4 company.

5 SECTION 3. Title 6, Chapter 822, Insurance Code is amended
6 to read as follows:

7 CHAPTER 822. GENERAL ~~INCORPORATION AND~~ REGULATORY REQUIREMENTS FOR
8 INSURANCE COMPANIES OTHER THAN LIFE, HEALTH, OR ACCIDENT INSURANCE
9 COMPANIES

10 SUBCHAPTER A. GENERAL PROVISIONS

11 Sec. 822.001. APPLICABILITY OF CHAPTER. Except as
12 otherwise provided by this code, this chapter applies to each
13 company or organization engaging in any kind of insurance business
14 other than a life, health, or accident insurance company operating
15 under Chapter 841, 881, 882, 884, 885, 886, 887, or 888.

16 Sec. 822.002. APPLICABILITY OF LAW GOVERNING CORPORATIONS.
17 An insurance company incorporated in this state is subject to the
18 Texas Business Organizations Code, and any other law of this state
19 that governs corporations in general to the extent those laws are
20 not inconsistent with this code.

21 ~~Sec. 822.003. EFFECT ON TRANSACTIONS BETWEEN INSURANCE~~
22 ~~COMPANIES AND OTHERS. The following sections do not restrict or~~
23 ~~modify any provision of this code relating to a transaction between~~
24 ~~an insurance company and the insurance company's affiliates, or~~
25 ~~between an insurance company and certain shareholders, directors,~~
26 ~~or officers of the insurance company, as provided by Subchapter A,~~
27 ~~Chapter 805, and Chapter 823.~~

1 ~~(1) Sections 822.055 and 822.056,~~

2 ~~(2) Section 822.057(a)(4),~~

3 ~~(3) Section 822.061,~~

4 ~~(4) Section 822.156,~~

5 ~~(5) Sections 822.158(d) and (e), and~~

6 ~~(6) Sections 822.206 and 822.207.~~

7 ~~SUBCHAPTER B. FORMATION AND STRUCTURE OF COMPANY~~

8 ~~Sec. 822.051. FORMATION OF COMPANY. (a) Any number of~~
9 ~~persons may form a company for the purpose of engaging in the~~
10 ~~business of insurance.~~

11 ~~(b) To form a company, each incorporator must adopt and sign~~
12 ~~the articles of incorporation of the company as provided by this~~
13 ~~code.~~

14 ~~Sec. 822.052. ARTICLES OF INCORPORATION. Articles of~~
15 ~~incorporation of a proposed insurance company must state:~~

16 ~~(1) the name of the company,~~

17 ~~(2) the location of the company's principal business~~
18 ~~office,~~

19 ~~(3) the kind of insurance business in which the~~
20 ~~company proposes to engage,~~

21 ~~(4) the amount of the company's capital stock, and~~

22 ~~(5) the amount of the company's surplus.~~

23 ~~Sec. 822.053. COMPANY'S NAME. An insurance company's name~~
24 ~~may not be so similar to the name of another insurance company as to~~
25 ~~likely mislead the public.~~

26 ~~Sec. 822.054. CAPITAL STOCK AND SURPLUS REQUIREMENTS. (a)~~
27 ~~An insurance company must have capital stock in an amount of at~~

1 ~~least \$2.5 million and surplus in an amount of at least \$2.5~~
2 ~~million.~~

3 ~~(b) At the time of incorporation, the required capital and~~
4 ~~surplus must be in cash.~~

5 ~~Sec. 822.055. SHARES OF STOCK WITH PAR VALUE. (a) An~~
6 ~~insurance company organized under the laws of this state may~~
7 ~~authorize the issuance of shares of stock with a par value of not~~
8 ~~less than \$1 or more than \$100. The company may increase from time~~
9 ~~to time the number of shares with a par value by an amendment to the~~
10 ~~company's charter.~~

11 ~~(b) Each par value share of stock must be fully paid before~~
12 ~~issuance in an amount that is not less than the share's par value.~~
13 ~~Par value shares issued under this section are not subject to~~
14 ~~additional call or assessment, and the subscriber or holder of~~
15 ~~those shares is not required to make an additional payment with~~
16 ~~respect to those shares.~~

17 ~~(c) When an application for charter or an amendment to the~~
18 ~~charter authorizing the issuance of shares of stock with a par value~~
19 ~~is filed, the insurance company shall file with the department a~~
20 ~~statement under oath stating:~~

21 ~~(1) the total number of par value shares subscribed,~~
22 ~~and~~

23 ~~(2) the actual total consideration the company~~
24 ~~received for those shares.~~

25 ~~(d) The shareholders of an insurance company authorizing~~
26 ~~par value shares of stock must in good faith subscribe and fully pay~~
27 ~~for shares representing at least 50 percent of the total par value~~

1 ~~of the authorized shares with a par value before the company:~~

2 ~~(1) is granted a charter, or~~

3 ~~(2) amends its charter to:~~

4 ~~(A) authorize the issuance of par value shares,~~

5 ~~or~~

6 ~~(B) increase or decrease from time to time the~~
7 ~~number of authorized par value shares.~~

8 ~~(e) If all of the authorized par value shares of stock are~~
9 ~~not subscribed and paid for when the charter is granted or the~~
10 ~~amendment is filed, respectively, the insurance company shall file~~
11 ~~with the department a certificate authenticated by a majority of~~
12 ~~the directors stating the total number of shares issued and the~~
13 ~~total consideration received for those shares. The company shall~~
14 ~~file the certificate not later than the 90th day after the date of~~
15 ~~issuance of those remaining shares. The company is not required to~~
16 ~~file an amendment to its charter or take further action to effect~~
17 ~~the increase in the capital and surplus of the company.~~

18 ~~(f) The consideration received by an insurance company for a~~
19 ~~par value share constitutes capital to the extent of its par value~~
20 ~~and the remainder, if any, constitutes surplus.~~

21 ~~Sec. 822.056. SHARES OF STOCK WITHOUT PAR VALUE. (a) An~~
22 ~~insurance company organized under the laws of this state, on~~
23 ~~incorporation or by an amendment to its charter, may authorize the~~
24 ~~issuance of shares of stock without par value.~~

25 ~~(b) Each share of stock without par value must be equal in~~
26 ~~all respects.~~

27 ~~(c) An insurance company may issue and dispose of authorized~~

1 ~~shares without par value for money or for notes, bonds, mortgages,~~
2 ~~and stock in the form authorized by law for capital stock of~~
3 ~~insurance companies. Each share of stock without par value must be~~
4 ~~fully paid before issuance. After the company receives payment for~~
5 ~~a share of stock issued under this section, the share is not subject~~
6 ~~to additional call or assessment and the subscriber or holder of the~~
7 ~~share is not required to make an additional payment with respect to~~
8 ~~the share.~~

9 ~~(d) The shareholders of an insurance company authorizing~~
10 ~~shares of stock without par value must in good faith subscribe and~~
11 ~~pay for shares representing at least 50 percent of the authorized~~
12 ~~shares without par value before the company is granted a charter or~~
13 ~~has its charter amended to authorize the issuance of shares without~~
14 ~~par value. The total amount paid for the shares must be at least~~
15 ~~\$250,000.~~

16 ~~(e) If all of the authorized shares of stock without par~~
17 ~~value are not subscribed and paid for when the charter is granted or~~
18 ~~the amendment is filed, respectively, the insurance company shall~~
19 ~~file with the department a certificate authenticated by a majority~~
20 ~~of the directors stating the number of shares without par value~~
21 ~~issued and the consideration received for those shares. An~~
22 ~~insurance company may issue and dispose of those remaining~~
23 ~~authorized shares for money or an instrument authorized for minimum~~
24 ~~capital under:~~

25 ~~(1) a provision of Subchapter B, Chapter 424, other~~
26 ~~than Section 424.052, 424.072, or 424.073; and~~

27 ~~(2) Section 822.204.~~

1 ~~(f) The insurance company shall file the certificate~~
2 ~~required by Subsection (e) not later than the 90th day after the~~
3 ~~date of issuance of those remaining shares. The portion of the~~
4 ~~consideration received for shares without par value that is~~
5 ~~designated as capital by the company's directors, or by the~~
6 ~~company's shareholders if the charter or articles of incorporation~~
7 ~~reserve the right to make that determination to the shareholders,~~
8 ~~constitutes capital and the remainder, if any, constitutes surplus.~~
9 ~~The company is not required to file an amendment to its charter or~~
10 ~~take further action to effect the increase in the capital and~~
11 ~~surplus of the company.~~

12 ~~Sec. 822.057. APPLICATION FOR CHARTER. (a) To obtain a~~
13 ~~charter for an insurance company, the incorporators must pay to the~~
14 ~~department the fees prescribed by law and file with the department:~~

15 ~~(1) an application for charter on the form and~~
16 ~~containing the information prescribed by the commissioner;~~

17 ~~(2) the company's proposed articles of incorporation;~~

18 ~~(3) an affidavit made by the incorporators or officers~~
19 ~~of the company that states that:~~

20 ~~(A) the capital and surplus is the bona fide~~
21 ~~property of the company; and~~

22 ~~(B) the information in the articles of~~
23 ~~incorporation is true and correct; and~~

24 ~~(4) if the application provides for the issuance of~~
25 ~~shares of stock without par value, a certificate authenticated by~~
26 ~~the incorporators stating:~~

27 ~~(A) the number of shares without par value that~~

1 ~~are subscribed; and~~

2 ~~(B) the actual consideration received by the~~
3 ~~company for those shares.~~

4 ~~(b) If the commissioner is not satisfied with the affidavit~~
5 ~~filed under Subsection (a)(3), the commissioner may require that~~
6 ~~the incorporators provide at their expense additional evidence of a~~
7 ~~matter required in the affidavit before the commissioner.~~

8 ~~(1) receives the proposed articles of incorporation or~~
9 ~~the application for charter; or~~

10 ~~(2) issues a certificate of authority to the company.~~

11 ~~(c) Repealed by Acts 2009, 81st Leg., R.S., Ch. 1022, Sec.~~
12 ~~19(1), eff. June 19, 2009.~~

13 ~~Sec. 822.058. ACTION BY COMMISSIONER AFTER FILING OF~~
14 ~~APPLICATION FOR CHARTER. (a) Repealed by Acts 2009, 81st Leg.,~~
15 ~~R.S., Ch. 1022, Sec. 19(2), eff. June 19, 2009.~~

16 ~~(b) After the items required for a charter under Sections~~
17 ~~822.057(a)(1) and (2) are filed with the department and the~~
18 ~~proposed insurance company has complied with all legal~~
19 ~~requirements, the commissioner shall conduct an examination of the~~
20 ~~company to determine whether:~~

21 ~~(1) the minimum capital stock and surplus requirements~~
22 ~~of Section 822.054 are satisfied,~~

23 ~~(2) the capital stock and surplus is the bona fide~~
24 ~~property of the company; and~~

25 ~~(3) the insurance company has fully complied with~~
26 ~~insurance laws.~~

27 ~~(c) The commissioner may appoint a competent and~~

1 ~~disinterested person to conduct the examination required by this~~
2 ~~section. The examiner shall file an affidavit of the examiner's~~
3 ~~findings with the commissioner. The commissioner shall record the~~
4 ~~affidavit.~~

5 ~~Sec. 822.060. ACTION ON APPLICATION. (a) In considering~~
6 ~~the application, the commissioner shall determine if:~~

7 ~~(1) the proposed capital structure of the company~~
8 ~~meets the requirements of this code;~~

9 ~~(2) the proposed officers, directors, attorney in~~
10 ~~fact, or managing head of the company have sufficient insurance~~
11 ~~experience, ability, standing, and good record to make success of~~
12 ~~the proposed company probable; and~~

13 ~~(3) the applicants are acting in good faith.~~

14 ~~(b) If the commissioner determines that the applicant has~~
15 ~~not met the standards set out by Subsection (a), the commissioner~~
16 ~~shall deny the application in writing, giving the reason for the~~
17 ~~denial.~~

18 ~~(c) If the commissioner does not deny the application under~~
19 ~~Subsection (b), the commissioner shall approve the~~
20 ~~application. On approval of an application, the articles of~~
21 ~~incorporation of the company shall be filed with the department.~~

22 ~~(d) On the applicant's request, the commissioner shall hold~~
23 ~~a hearing on a denial. Not later than the 30th day after the date~~
24 ~~of the applicant's request for a hearing, the commissioner shall~~
25 ~~request a hearing date.~~

26 ~~Sec. 822.061. ISSUANCE OF CHARTER. (a) On receipt of a~~
27 ~~charter fee in the amount determined under Chapter 202, the~~

1 ~~commissioner shall examine the articles of incorporation filed with~~
2 ~~the department under Section 822.060 and any certificate filed~~
3 ~~under Section 822.057(a)(4).~~

4 ~~(b) If the commissioner approves the articles of~~
5 ~~incorporation and, if applicable, the certificate filed under~~
6 ~~Section 822.057(a)(4), the commissioner shall certify and file the~~
7 ~~approved documents with the department records and, on receipt of a~~
8 ~~fee in the amount determined under Chapter 202, the commissioner~~
9 ~~shall issue a certified copy of the charter to the incorporators.~~

10 ~~(c) When the insurance company's charter is issued, the~~
11 ~~charter is effective and the incorporators may proceed with the~~
12 ~~organization of the company as provided by this code.~~

13 ~~SUBCHAPTER C. AUTHORITY TO ENGAGE IN BUSINESS IN THIS STATE~~

14 ~~Sec. 822.101. CERTIFICATE OF AUTHORITY. When the articles~~
15 ~~of incorporation of an insurance company have been filed with the~~
16 ~~department under Section 822.060 or the company has been authorized~~
17 ~~to engage in business as provided by law, the commissioner shall~~
18 ~~issue to the company a certificate of authority to commence~~
19 ~~business as proposed in the company's articles of incorporation or~~
20 ~~application for charter if the commissioner determines that the~~
21 ~~company has fully complied with the law.~~

22 ~~SUBCHAPTER D. MANAGEMENT OF COMPANY~~

23 ~~Sec. 822.151. CONDUCTING SHAREHOLDERS MEETING. (a) Except~~
24 ~~as otherwise provided by this code, at a meeting of an insurance~~
25 ~~company's shareholders to elect the company's board of directors or~~
26 ~~to transact other company business, a quorum is any number of~~
27 ~~shareholders whose cumulative ownership in the company represents~~

1 ~~at least 51 percent of the company's stock.~~

2 ~~(b) A shareholder may vote in person or by proxy.~~

3 ~~Sec. 822.152. BOARD OF DIRECTORS. (a) An insurance company~~
4 ~~organized under the laws of this state is managed by its board of~~
5 ~~directors.~~

6 ~~(b) The board consists of not fewer than seven directors. A~~
7 ~~director:~~

8 ~~(1) is not required to be a shareholder unless such a~~
9 ~~qualification is required by the articles of incorporation or~~
10 ~~bylaws of the company; and~~

11 ~~(2) serves until the director's successor is elected~~
12 ~~and accepts the position.~~

13 ~~(c) The board of directors may adopt bylaws and regulations~~
14 ~~as necessary to conduct the company's business. A majority of the~~
15 ~~board is a quorum.~~

16 ~~(d) The board of directors shall keep a full and correct~~
17 ~~record of the board's transactions. The shareholders or other~~
18 ~~interested persons may inspect those records during business hours.~~

19 ~~(e) The directors shall fill a vacancy that occurs on the~~
20 ~~board or in any office of the company.~~

21 ~~Sec. 822.153. ELECTION OF DIRECTORS. (a) Not later than~~
22 ~~the 30th day after the date on which the company's subscription~~
23 ~~books are filed, the shareholders of an insurance company shall~~
24 ~~meet to elect the company's initial board of directors. At the~~
25 ~~meeting, each shareholder is entitled to one vote for each share of~~
26 ~~stock.~~

27 ~~(b) The shareholders of an insurance company shall meet~~

1 ~~before May 1 of each year as provided by the company's bylaws to~~
2 ~~elect successor directors.~~

3 ~~(c) If the shareholders do not elect directors at an annual~~
4 ~~meeting, the shareholders may elect the directors at a special~~
5 ~~shareholders meeting called for that purpose. Not later than the~~
6 ~~30th day before the date of the special meeting, the shareholders~~
7 ~~must publish notice of the meeting in a newspaper of general~~
8 ~~circulation in the county in which the principal office of the~~
9 ~~company is located.~~

10 ~~Sec. 822.154. OFFICERS. (a) An insurance company's~~
11 ~~directors shall choose one of the directors to serve as the~~
12 ~~company's president.~~

13 ~~(b) Other officers of the insurance company shall be chosen~~
14 ~~in accordance with the company's bylaws. An officer other than the~~
15 ~~president is not required to be a director or a shareholder unless~~
16 ~~such a qualification is required by the company's bylaws or~~
17 ~~articles of incorporation.~~

18 ~~(c) An insurance company's officers shall perform duties,~~
19 ~~receive compensation, and provide security as stated in the~~
20 ~~company's bylaws.~~

21 ~~Sec. 822.155. APPLICATION FOR AMENDMENT OF CHARTER. A~~
22 ~~domestic insurance company may amend its charter by paying to the~~
23 ~~commissioner a fee in the amount determined under Chapter 202 and by~~
24 ~~filing with the department.~~

25 ~~(1) an application for a charter amendment on the form~~
26 ~~and containing the information prescribed by the commissioner, and~~

27 ~~(2) the company's proposed amendment.~~

1 ~~Sec. 822.156. CERTIFICATE REQUIRED FOR AMENDMENT OF CHARTER~~
2 ~~TO AUTHORIZE SHARES WITHOUT PAR VALUE. (a) If a proposed amendment~~
3 ~~to the charter of an insurance company authorizes the issuance of~~
4 ~~shares of stock without par value, the insurance company must file~~
5 ~~with the department, at the time the proposed amendment is filed, a~~
6 ~~certificate authenticated by a majority of the directors stating:~~

7 ~~(1) the number of shares without par value that are~~
8 ~~subscribed; and~~

9 ~~(2) the consideration the company received for those~~
10 ~~shares.~~

11 ~~(b) On receipt of the certificate, the commissioner shall~~
12 ~~examine the certificate. The commissioner shall certify and file~~
13 ~~the certificate if the commissioner approves the certificate.~~

14 ~~Sec. 822.157. ACTION BY COMMISSIONER AFTER FILING OF~~
15 ~~APPLICATION FOR CHARTER AMENDMENT. (a) The commissioner may hold a~~
16 ~~hearing on an application for a charter amendment. If the~~
17 ~~commissioner determines to hold a hearing on the application, the~~
18 ~~commissioner, after the items required for the charter amendment~~
19 ~~are filed with the commissioner, shall set a date for the hearing~~
20 ~~and publish notice of the hearing in one or more daily newspapers of~~
21 ~~this state.~~

22 ~~(b) The commissioner may not require a hearing for an~~
23 ~~amendment relating to one or more of the following issues:~~

24 ~~(1) a stock dividend resulting from a legal transfer~~
25 ~~of surplus to capital;~~

26 ~~(2) a change in the name of the insurance company; or~~

27 ~~(3) a change in the location of the insurance company's~~

1 ~~principal business office.~~

2 ~~Sec. 822.158. DETERMINATION ON APPLICATION FOR CHARTER~~
3 ~~AMENDMENT. (a) Not later than the 60th day after the date the~~
4 ~~application under Section 822.155 is filed, the commissioner shall~~
5 ~~determine whether:~~

6 ~~(1) the proposed capital structure of the insurance~~
7 ~~company meets the requirements of this code;~~

8 ~~(2) the officers, directors, and managing head of the~~
9 ~~insurance company have sufficient insurance experience, ability,~~
10 ~~standing, and good record to make success of the company probable;~~

11 ~~(3) the applicants are acting in good faith;~~

12 ~~(4) if the proposed amendment relates to a diminution~~
13 ~~of the insurance company's charter powers with respect to the kinds~~
14 ~~of insurance business in which the company may be engaged, all~~
15 ~~liabilities incidental to the exercise of the powers to be~~
16 ~~eliminated have been terminated or wholly reinsured; and~~

17 ~~(5) the property involved in an increase of capital or~~
18 ~~surplus, or both, is:~~

19 ~~(A) properly valued; and~~

20 ~~(B) in the form authorized by the following~~
21 ~~provisions, to the extent those provisions apply:~~

22 ~~(i) Subchapter B, Chapter 424, other than~~
23 ~~Sections 424.052, 424.072, and 424.073; and~~

24 ~~(ii) Section 822.204.~~

25 ~~(b) If the commissioner determines that the applicant has~~
26 ~~not met the requirements set out by Subsection (a), the~~
27 ~~commissioner shall deny the application. On the applicant's~~

1 ~~request, the commissioner shall hold a hearing on a denial. Not~~
2 ~~later than the 30th day after the date of the applicant's request~~
3 ~~for a hearing, the commissioner shall request a hearing date.~~

4 ~~(c) If the commissioner does not deny the application under~~
5 ~~Subsection (b), the commissioner shall approve the application and~~
6 ~~the amendment shall be filed with the department.~~

7 ~~(d) Except as provided by Subsection (c), when an amendment~~
8 ~~to an insurance company's charter is filed with the department, the~~
9 ~~amendment is effective.~~

10 ~~(e) On approval of a certificate required under Section~~
11 ~~822.156 and receipt of a fee in the amount determined under Chapter~~
12 ~~202, the commissioner shall issue to the directors a certified copy~~
13 ~~of an amendment authorizing the issuance of shares of stock without~~
14 ~~par value that is filed under this section. The amendment is~~
15 ~~effective on issuance of the certified copy of the amendment.~~

16 SUBCHAPTER B ~~F~~. CAPITAL, SURPLUS, AND GUARANTY FUND REQUIREMENTS

17 Sec. 822.003~~201~~. APPLICABILITY OF CAPITAL AND SURPLUS
18 REQUIREMENTS. The capital and surplus requirements of this chapter
19 and Chapter 801 apply to each insurance company or other entity,
20 other than a farm mutual insurance company, authorized to write
21 property and casualty insurance in this state including:

- 22 (1) a county mutual insurance company;
23 (2) a mutual insurance company, other than a mutual
24 life insurance company;
25 (3) a Lloyd's plan; and
26 (4) a reciprocal or interinsurance exchange.

27 Sec. 822.004~~202~~. FULL COVERAGE AUTOMOBILE INSURANCE;

1 DETERMINATION OF AMOUNTS. Full coverage automobile insurance is one
2 line of casualty insurance for purposes of determining:

3 (1) the amount of capital and surplus of a capital
4 stock company under this code;

5 (2) the amount of surplus of a mutual insurance
6 company or reciprocal exchange under this code; or

7 (3) the amount of the guaranty fund and surplus of a
8 Lloyd's plan under this code.

9 Sec. 822.~~005205~~. UNENCUMBERED SURPLUS OR GUARANTY FUND
10 REQUIREMENTS FOR CERTAIN INSURANCE COMPANIES. (a) Except as
11 provided by Section 912.308, this section applies only to an
12 insurance company that:

13 (1) writes insurance only in this state; and

14 (2) is not required by law to have capital stock.

15 (b) Notwithstanding any other provision of this subchapter
16 other than Sections 822.212(b) and (c), an insurance company must
17 have a minimum amount of unencumbered surplus or a minimum amount of
18 guaranty fund and unencumbered surplus equal to the greater of:

19 (1) the amount of unencumbered surplus or the amount
20 of guaranty fund and surplus, as appropriate, the company was
21 required to have on August 31, 1991; or

22 (2) one-third of the company's net written premium for
23 the preceding 12 months after deducting:

24 (A) lawfully ceded reinsurance; and

25 (B) any policy fees not ceded to reinsurers.

26 Sec. 822.~~006206~~. REPURCHASE OF CAPITAL STOCK BY TENDER
27 OFFER OR PRIVATE TRANSACTION. (a) An insurance company may, on

1 prior approval of the department and subject to Chapter 823,
2 purchase outstanding shares of the company's capital stock in
3 accordance with the Texas Business Corporation Act either by making
4 a tender offer or by entering into a negotiated private
5 transaction.

6 (b) The application for approval under Subsection (a) must:

7 (1) state the number of shares offered;

8 (2) describe the shares;

9 (3) contain any pertinent information regarding the
10 value of the shares, including:

11 (A) the price offered by the company for the
12 shares;

13 (B) the book value of the shares; and

14 (C) the market value of the shares if a market
15 exists for those shares; and

16 (4) demonstrate that the shares will be purchased
17 using uncommitted earned surplus.

18 (c) Before filing the application the insurance company
19 must present a copy of the application to the seller of the shares.

20 (d) The commissioner shall approve the application promptly
21 if:

22 (1) the price offered by the insurance company for the
23 shares appears to be a reasonably fair price; and

24 (2) the application complies with the requirements of
25 this section and the Texas Business Corporation Act.

26 Sec. 822.~~207~~007. REPURCHASE OF CAPITAL STOCK ON OPEN MARKET.

27 (a) On prior approval of the commissioner, and subject to Chapter

1 823, an insurance company, the capital stock of which is listed on a
2 national securities exchange, may purchase from time to time
3 outstanding shares of the company's capital stock on the open
4 market. The shares must be purchased:

- 5 (1) in the name of the company for its own account; and
- 6 (2) in accordance with the Texas Business Corporation
7 Act.

8 (b) The application for approval under Subsection (a) must:

- 9 (1) state the maximum number of shares to be
10 purchased;
- 11 (2) state the maximum period, not to exceed 180 days,
12 during which the purchase will be made;
- 13 (3) describe the shares;
- 14 (4) contain a commitment that the company will not pay
15 a price for the shares to be purchased that is greater than an
16 amount equal to the average of the bid price and the asked price at
17 the time of the purchase plus a standard broker's commission;
- 18 (5) contain any pertinent information relating to the
19 value of the shares, including the book value of the shares; and
- 20 (6) demonstrate that the shares will be purchased
21 using uncommitted earned surplus.

22 (c) The commissioner shall approve the application promptly
23 if the application complies with the requirements of this section
24 and the Texas Business Corporation Act.

25 ~~Sec. 822.208~~008. APPLICATION FOR REPURCHASE OF COMPANY'S
26 SHARES SUBJECT TO OTHER LAW. An application filed by an insurance
27 company under Section 822.206 or 822.207 is subject to the

1 substantive requirements for the approval of payment of an
2 extraordinary dividend under Chapter 823.

3 Sec. 822.~~209~~009. REINVESTMENT OF CAPITAL STOCK. An
4 insurance company may, as circumstances require, exchange and
5 reinvest its capital stock in like securities.

6 Sec. 822.~~212~~010. INCREASE OF CAPITAL AND SURPLUS. (a)
7 Notwithstanding Chapter 801, to engage in the kinds of insurance
8 business for which an insurance company organized under this
9 chapter holds a certificate of authority in this state, an
10 insurance company organized under this chapter that on September 1,
11 2009, had less than the minimum amount of capital and surplus
12 required for a newly incorporated company under Chapter 801 must:

13 (1) not later than December 31, 2010, have increased
14 the amount of its capital by at least 10 percent of the difference
15 between the amount of minimum capital required for a newly
16 incorporated company under former Section 822.054 and the amount of
17 the company's capital on December 31, 2009;

18 (2) not later than December 31, 2011, have increased
19 the amount of its capital by at least 20 percent of the difference
20 between the amount of minimum capital required for a newly
21 incorporated company under former Section 822.054 and the amount of
22 the company's capital on December 31, 2009;

23 (3) not later than December 31, 2012, have increased
24 the amount of its capital by at least 30 percent of the difference
25 between the amount of minimum capital required for a newly
26 incorporated company under former Section 822.054 and the amount of
27 the company's capital on December 31, 2009;

1 (4) not later than December 31, 2013, have increased
2 the amount of its capital by at least 40 percent of the difference
3 between the amount of minimum capital required for a newly
4 incorporated company under Chapter 801~~Section 822.054~~ and the
5 amount of the company's capital on December 31, 2009;

6 (5) not later than December 31, 2014, have increased
7 the amount of its capital by at least 50 percent of the difference
8 between the amount of minimum capital required for a newly
9 incorporated company under Chapter 801 ~~Section 822.054~~ and the
10 amount of the company's capital on December 31, 2009;

11 (6) not later than December 31, 2015, have increased
12 the amount of its capital by at least 60 percent of the difference
13 between the amount of minimum capital required for a newly
14 incorporated company under Chapter 801 ~~Section 822.054~~ and the
15 amount of the company's capital on December 31, 2009;

16 (7) not later than December 31, 2016, have increased
17 the amount of its capital by at least 70 percent of the difference
18 between the amount of minimum capital required for a newly
19 incorporated company under Chapter 801 ~~Section 822.054~~ and the
20 amount of the company's capital on December 31, 2009;

21 (8) not later than December 31, 2017, have increased
22 the amount of its capital by at least 80 percent of the difference
23 between the amount of minimum capital required for a newly
24 incorporated company under Chapter 801 ~~Section 822.054~~ and the
25 amount of the company's capital on December 31, 2009;

26 (9) not later than December 31, 2018, have increased
27 the amount of its capital by at least 90 percent of the difference

1 between the amount of minimum capital required for a newly
2 incorporated company under Chapter 801 ~~Section 822.054~~ and the
3 amount of the company's capital on December 31, 2009; and

4 (10) not later than December 31, 2019, have at least
5 the minimum amount of capital required under Chapter 801 ~~Section~~
6 ~~822.054~~ for a newly incorporated company.

7 (b) An insurance company that on September 1, 2009, had less
8 than the minimum amount of capital and surplus required for a newly
9 incorporated company under former Section 822.054 shall
10 immediately increase the amount of its capital and surplus to an
11 amount equal to the required amount of capital and surplus under
12 ~~Section 822.054~~ Chapter 801 if there is:

13 (1) a change in the control of at least 50 percent of
14 the voting securities of the insurance company;

15 (2) a change in the control of at least 50 percent of
16 the voting securities of a holding company controlling the
17 insurance company; or

18 (3) a change in control of at least 50 percent by any
19 other method of control if the insurance company or holding company
20 is not controlled by voting securities.

21 (c) For purposes of Subsection (b), a transfer of ownership
22 that occurs because of death, regardless of whether the decedent
23 dies testate or intestate, may not be considered a change in the
24 control of an insurance company or holding company if ownership is
25 transferred solely to one or more individuals each of whom would be
26 an heir of the decedent if the decedent had died intestate.

27 (d) An insurance company that, after notifying the

1 commissioner, ceases to write or assume business is not required to
2 comply with this section. If the company resumes writing business
3 at a later date, the company shall comply with this section on the
4 date the company resumes business.

5 SUBCHAPTER C. PROVISIONS APPLICABLE TO CASUALTY INSURANCE

6 Sec. 822.250. DEFINITIONS. (a) In this subchapter,
7 "casualty company" means an insurer engaging in the business of
8 insurance pursuant to Chapter 801 that does any of the following:

9 (1) insures a person against:

10 (A) bodily injury, disability, or death that
11 results from an accident; or

12 (B) disability that results from disease;

13 (2) insures against loss or damage that results from
14 an accident or injury sustained by an employee or other person, for
15 which accident or injury the insured is liable;

16 (3) insures against loss or damage that results from
17 an accident to or injury sustained by a person, for which loss the
18 insured is liable, other than employers liability insurance under
19 Subdivision (2);

20 (4) insures against loss or damage by burglary, theft,
21 or housebreaking;

22 (5) insures glass against breakage;

23 (6) insures a steam boiler, elevator, electrical
24 device, or engine and any machinery or appliance used or operated in
25 connection with a steam boiler, elevator, electrical device, or
26 engine;

27 (7) insures against loss or damage from injury to a

1 person or property that results accidentally from an item described
2 by Subdivision (6);

3 (8) insures against loss or damage by water to goods or
4 premises that arises from the breakage or leakage of a sprinkler or
5 water pipe;

6 (9) insures against loss that:

7 (A) results from accidental damage to an
8 automobile; or

9 (B) is caused accidentally by an automobile;

10 (10) insures a person, association, or corporation
11 against loss or damage that results from giving or extending
12 credit;

13 (11) insures against loss that results from the
14 nonpayment of the principal of or interest on a bond, mortgage, or
15 other evidence of indebtedness;

16 (12) writes marine insurance, which may include
17 insurance against the hazards and perils incident to war; or

18 (13) insures against any other casualty or insurance
19 risk, other than fire or life insurance, specified in the company's
20 articles of incorporation that:

21 (A) may be lawfully made the subject of
22 insurance; and

23 (B) is not otherwise provided for by this
24 chapter.

25 (b) A casualty company may engage in one or more of the
26 activities specified by Subsection (a).

27 Sec. 822.251. DIVIDENDS. Except as authorized by Sections

1 403.001 and 403.051, the directors of a casualty company may not
2 issue dividends.

3 Sec. 822.252. MINIMUM CAPITAL AND SURPLUS. (a) After
4 incorporation and issuance of a certificate of authority, a
5 casualty company shall invest the minimum capital and surplus as
6 provided by Section 822.204. The company shall invest all other
7 funds in excess of the minimum capital and surplus as provided by:

8 (1) a provision of Subchapter B, Chapter 424, other
9 than 424.052, 424.072, or 424.073; and

10 (2) Section 862.002.

11 (b) A general casualty company may not loan any part of the
12 company's capital or paid in surplus to an officer of the company.

13 Sec. 822.253. RULES REGARDING CERTAIN ASSETS. (a) The
14 value of the electronic machines and systems, office equipment,
15 furniture, other machines, and labor-saving devices specified in
16 accordance with Section Chapter 802, as determined under this
17 section and in accordance with the rules adopted by the
18 commissioner, are an admitted asset of the company.

19 (b) The commissioner may adopt rules defining electronic
20 machines and systems, office equipment, furniture, other machines,
21 and labor-saving devices as specified in Section Chapter 802 and
22 stating the maximum period for which each class of equipment may be
23 amortized.

24 Sec. 822.254. REAL PROPERTY. (a) A casualty company is
25 subject to Section 862.002 and may not purchase, hold, or convey
26 real property except as authorized by that section.

27 (b) A casualty company shall sell real property acquired in

1 compliance with Subsection (a) not later than the 10th anniversary
2 of the date the real property was acquired.

3 (c) A casualty company may retain real property after the
4 date specified by Subsection (b) if the commissioner issues a
5 certificate stating:

6 (1) that sale of the real property in compliance with
7 Subsection (b) would cause the company to incur a material loss; and

8 (2) a later date by which the real property must be
9 sold.

10 (d) Subsection (b) does not apply to:

11 (1) real property occupied by buildings used in whole
12 or in part by a general casualty company in the transaction of
13 business;

14 (2) an interest in minerals or royalty reserved on the
15 sale of real property acquired under Sections 862.002(c)(1)-(3);
16 and

17 (3) investment real property acquired under Section
18 424.064.

19 Sec. 822.255. REVOCATION OF CERTIFICATE. (a) If, as a
20 result of an examination under Section 822.255 ~~861.257~~, the
21 commissioner determines that a ~~general~~ casualty company has not
22 complied with this chapter, the commissioner shall:

23 (1) revoke the company's certificate of authority; and

24 (2) notify the attorney general of the revocation.

25 (b) On receipt of notification under Subsection (a)(2), the
26 attorney general shall request court appointment of a receiver for
27 the general casualty company. Under the direction of the court, the

1 receiver shall wind up the affairs of the company.

2 Sec. 822.256. PENALTY. A casualty company that engages in
3 the business of insurance without a certificate of authority issued
4 under Chapter 801 is subject to a penalty of \$100 for each day the
5 company writes new business in this state without the certificate
6 of authority required by that section.

7 Sec. 822.257. COLLECTION OF PENALTY. (a) The attorney
8 general or a district or county attorney under the direction of the
9 attorney general may file an action in the name of the state to
10 collect a penalty under this chapter.

11 (b) An action filed under this section must be filed in
12 Travis County or in the county in which the casualty company's
13 principal office is located.

14 Sec. 822.258. SECURITY DEPOSIT. (a) If, as a prerequisite
15 to engaging in the business of insurance in another state, country,
16 or province, a casualty company is required to deposit securities
17 or cash with the appropriate officer of that state, country, or
18 province, or with the comptroller, the company may deposit with the
19 comptroller any authorized securities or cash sufficient to meet
20 the requirement. The comptroller shall receive and hold the deposit
21 exclusively for the protection of policyholders of the company.

22 (b) A casualty company may withdraw a deposit made under
23 Subsection (a) if the company files with the department
24 satisfactory evidence, as determined by the commissioner, that the
25 company:

26 (1) has withdrawn from business in the other state,
27 country, or province; and

1 (2) has no unsecured liabilities outstanding in the
2 other state, country, or province.

3 (c) A casualty company may change the company's securities
4 on deposit with the comptroller by withdrawing those securities and
5 substituting an equal amount of other securities that meet the
6 requirements to engage in the business of insurance in the other
7 state, country, or province.

8 SECTION 4. Title 6, Chapter 841, Subchapters A - F,
9 Insurance Code is amended to read as follows:

10 CHAPTER 841. LIFE, HEALTH, OR ACCIDENT INSURANCE COMPANIES

11 SUBCHAPTER A. GENERAL PROVISIONS

12 Sec. 841.001. DEFINITIONS.

13 (1) "Accident insurance company" means a corporation
14 authorized under a charter to engage in business involving the
15 payment of money or another thing of value in the event of an injury
16 to or the disablement or death of an individual as a result of
17 travel or a general accident by land or water.

18 (2) "Alien company" means a life, accident, or health
19 insurance company organized under the laws of a foreign country.

20 (3) "Beneficiary" is the person to whom an insurance
21 policy is payable.

22 (4) "Domestic insurance company," in this chapter and
23 another law described by Section 841.002, means an insurance
24 company organized under the laws of this state as:

25 (A) a life insurance company;

26 (B) an accident insurance company;

27 (C) a life and accident insurance company;

1 (D) a health and accident insurance company; or

2 (E) a life, health, and accident insurance
3 company.

4 (5) "Foreign company" means a life, accident, or
5 health insurance company organized under the laws of another state.

6 (6) "Health insurance company" means a corporation
7 authorized under a charter to engage in business involving the
8 payment of money or another thing of value in the event of loss
9 resulting from disability incurred as a result of sickness or ill
10 health.

11 (7) "Home office," with respect to an insurance
12 company, means the principal office of the company in the state or
13 country under whose laws the company is organized.

14 (8) "Insurance company" and "company" include all
15 corporations engaged as a principal in the business of life,
16 accident, or health insurance.

17 (9) "Life insurance company" means a corporation
18 authorized under a charter to engage in business involving the
19 payment of money or another thing of value conditioned on the
20 continuance or cessation of human life or involving an insurance,
21 guaranty, or contract for the payment of an endowment or annuity.

22 (10) "Policyholder" and "insured" mean the individual
23 on whose life an insurance policy is effected.

24 (11) "Profits," with respect to an insurance company,
25 means the portion of the company's funds that are not:

26 (A) required for the payment of losses and
27 expenses; or

1 (B) set aside for any other purpose required by
2 law.

3 (12) "United States branch" means:

4 (A) the business unit through which business is
5 transacted within the United States by an alien company;

6 (B) the assets and liabilities of the company
7 within the United States pertaining to the business;

8 (C) the management powers pertaining to the
9 business and to the assets and liabilities; or

10 (D) any combination of the items described by
11 Paragraphs (A)-(C).

12 (13) The definitions of "company" and "insurance
13 company" apply to this chapter and another law described by Section
14 841.002 unless a different meaning is plainly required by the
15 context in which the term appears.

16 Sec. 841.002. APPLICABILITY OF CHAPTER AND OTHER LAW.
17 Except as otherwise expressly provided by this code, each insurance
18 company incorporated or engaging in business in this state as a life
19 insurance company, an accident insurance company, a life and
20 accident insurance company, a health and accident insurance
21 company, or a life, health, and accident insurance company is
22 subject to:

23 (1) this chapter and Chapter 801;

24 (2) Chapter 3;

25 (3) Chapters 425 and 492;

26 (4) Title 7;

27 (5) Sections 1202.051, 1204.151, 1204.153, and

1 1204.154;

2 (6) Subchapter A, Chapter 1202, Subchapters A and F,
3 Chapter 1204, Subchapter A, Chapter 1273, Subchapters A, B, and D,
4 Chapter 1355, and Subchapter A, Chapter 1366;

5 (7) Subchapter A, Chapter 1507;

6 (8) Chapters 1203, 1210, 1251-1254, 1301, 1351, 1354,
7 1359, 1364, 1368, 1505, 1506, 1651, 1652, and 1701; and

8 (9) Chapter 177, Local Government Code.

9 Sec. 841.003. APPLICABILITY OF LAW GOVERNING CORPORATIONS.

10 An insurance company operating under this chapter is subject to the
11 Texas Business Organizations Code, and any other law of this state
12 that governs corporations in general to the extent those laws are
13 not inconsistent with this chapter or another law described by
14 Section 841.002.

15 Sec. 841.004. NET ASSETS DEFINED; RULES. (a) A company's
16 "net assets" consist of the company's funds that are available for
17 the payment of a company's obligations in this state, including:

18 (1) uncollected premiums that are not more than three
19 months past due and deferred premiums on policies actually in
20 force, after the deduction of:

21 (A) all unpaid losses and claims;

22 (B) all claims for losses; and

23 (C) all other debts, exclusive of capital stock;

24 and

25 (2) if the total value of the equipment exceeds
26 \$2,000, the value of all electronic machines that comprise a data
27 processing system or systems and of all other office equipment,

1 furniture, machines, and labor-saving devices purchased for and
2 used in connection with the business of the insurance company to the
3 extent that the total actual cash market value of those assets is
4 less than 10 percent of the other admitted assets of the company.

5 (b) The commissioner may adopt rules defining electronic
6 machines and systems, office equipment, furniture, machines, and
7 labor-saving devices described by Subsection (a) and stating the
8 maximum period for which each class of equipment may be amortized.

9 ~~SUBCHAPTER B. FORMATION AND STRUCTURE OF DOMESTIC COMPANIES~~

10 ~~Sec. 841.051. FORMATION OF COMPANY. (a) Three or more~~
11 ~~residents of this state may form:~~

12 ~~(1) a life insurance company;~~

13 ~~(2) an accident insurance company;~~

14 ~~(3) a life and accident insurance company;~~

15 ~~(4) a health and accident insurance company;~~

16 ~~(5) a life, health, and accident insurance company.~~

17 ~~(b) To form a domestic insurance company:~~

18 ~~(1) each incorporator must sign and acknowledge the~~
19 ~~articles of incorporation of the company; and~~

20 ~~(2) the incorporators must file the articles of~~
21 ~~incorporation with the department.~~

22 ~~Sec. 841.052. ARTICLES OF INCORPORATION. (a) Articles of~~
23 ~~incorporation of a proposed domestic insurance company must state:~~

24 ~~(1) the name of the company;~~

25 ~~(2) the location of the company's home office;~~

26 ~~(3) the kinds of insurance business in which the~~
27 ~~company proposes to engage;~~

1 ~~(4) the name and place of residence of each~~
2 ~~incorporator;~~
3 ~~(5) the amount of the company's capital stock;~~
4 ~~(6) the number of shares of the company's capital~~
5 ~~stock;~~
6 ~~(7) the amount of the company's surplus; and~~
7 ~~(8) the period of the company's duration, which may be~~
8 ~~perpetual.~~

9 ~~(b) The incorporators of a domestic insurance company may~~
10 ~~include in the articles of incorporation other provisions that are~~
11 ~~not inconsistent with law.~~

12 ~~Sec. 841.053. COMPANY NAME. (a) The name of a domestic~~
13 ~~insurance company must contain the words "Insurance Company."~~

14 ~~(b) A domestic insurance company's name may not be so~~
15 ~~similar to the name of another domestic insurance company as to~~
16 ~~likely mislead the public.~~

17 ~~Sec. 841.054. CAPITAL STOCK AND SURPLUS REQUIREMENTS. (a)~~
18 ~~A domestic insurance company must have capital stock in an amount of~~
19 ~~at least \$700,000 and surplus in an amount of at least \$700,000.~~

20 ~~(b) All of the capital stock required by Subsection (a) must~~
21 ~~be fully subscribed and paid up and delivered to the incorporators~~
22 ~~before the articles of incorporation are filed.~~

23 ~~(c) At the time of incorporation, the required capital and~~
24 ~~surplus shall consist only of:~~

25 ~~(1) United States currency;~~

26 ~~(2) bonds of the United States, this state, or a county~~
27 ~~or municipality of this state; or~~

1 ~~(3) government insured mortgage loans that are~~
2 ~~authorized by this chapter or Chapter 425, with not more than 50~~
3 ~~percent of the required capital invested in first mortgage real~~
4 ~~property loans.~~

5 ~~Sec. 841.055. SHARES OF STOCK. (a) The shares of stock of~~
6 ~~an insurance company operating under this chapter may be divided or~~
7 ~~converted into shares of stock with a par value or shares of stock~~
8 ~~without par value or into a combination of shares with or without~~
9 ~~par value.~~

10 ~~(b) Each issued share of stock must be fully paid for and~~
11 ~~nonassessable.~~

12 ~~(c) The insurance company by an amendment to its charter may~~
13 ~~increase or decrease the total number of shares of stock the company~~
14 ~~is authorized to issue if:~~

15 ~~(1) shares representing at least 50 percent of the~~
16 ~~total par value of the authorized shares with a par value, if any,~~
17 ~~have been in good faith subscribed and fully paid for, and~~

18 ~~(2) shares representing at least 50 percent of the~~
19 ~~total number of the authorized shares without a par value, if any,~~
20 ~~have been in good faith subscribed and fully paid for.~~

21 ~~(d) Authorized but unissued shares of stock of an insurance~~
22 ~~company are not considered capital, stock, or capital stock of the~~
23 ~~company.~~

24 ~~(e) This section and Sections 841.056 and 841.057 do not~~
25 ~~impair the charter rights of an insurance company authorized to~~
26 ~~issue shares of stock with or without a par value before September~~
27 ~~6, 1955.~~

1 ~~Sec. 841.056. REQUIREMENTS FOR SHARES OF STOCK WITH PAR~~
2 ~~VALUE. (a) The shares of stock of an insurance company operating~~
3 ~~under this chapter that are divided or converted into par value~~
4 ~~shares, if any, must have a par value of not less than \$1 or more~~
5 ~~than \$100.~~

6 ~~(b) Each par value share of stock must be fully paid for~~
7 ~~before issuance in an amount that is not less than the share's par~~
8 ~~value.~~

9 ~~(c) When an application for charter or an amendment to the~~
10 ~~charter authorizing the issuance of shares of stock with a par value~~
11 ~~is filed, the insurance company shall file with the department a~~
12 ~~statement under oath stating:~~

13 ~~(1) the total number of par value shares subscribed;~~
14 ~~and~~

15 ~~(2) the actual total consideration the company~~
16 ~~received for those shares.~~

17 ~~(d) The shareholders of an insurance company authorizing~~
18 ~~par value shares of stock must in good faith subscribe and fully pay~~
19 ~~for shares representing at least 50 percent of the total par value~~
20 ~~of the authorized shares with a par value before the company:~~

21 ~~(1) is granted a charter; or~~

22 ~~(2) amends its charter to authorize the issuance of~~
23 ~~par value shares.~~

24 ~~(e) If all of the authorized par value shares of stock are~~
25 ~~not subscribed and paid for when the charter is granted or the~~
26 ~~amendment is filed, respectively, the insurance company shall file~~
27 ~~with the department a certificate authenticated by a majority of~~

1 ~~the directors stating the total number of par value shares issued~~
2 ~~and the actual total consideration received for those shares. The~~
3 ~~company shall file the certificate not later than the 90th day after~~
4 ~~the date of issuance of those remaining shares. The company is not~~
5 ~~required to file an amendment to its charter or take further action~~
6 ~~to effect the increase in the capital and surplus of the company.~~

7 ~~(f) The actual consideration received by an insurance~~
8 ~~company for a par value share constitutes capital to the extent of~~
9 ~~its par value and the remainder, if any, constitutes surplus.~~

10 ~~Sec. 841.057. REQUIREMENTS FOR SHARES OF STOCK WITHOUT PAR~~
11 ~~VALUE. (a) The shares of stock of an insurance company operating~~
12 ~~under this chapter that are divided or converted into shares~~
13 ~~without par value, if any, must be equal in all respects.~~

14 ~~(b) An insurance company may issue and dispose of authorized~~
15 ~~shares without par value for money or for notes, mortgages, and~~
16 ~~stocks in the form authorized by law for capital stock of insurance~~
17 ~~companies. Each share of stock without par value must be fully paid~~
18 ~~before issuance. After the company receives payment for a share of~~
19 ~~stock issued under this section, the share is not subject to~~
20 ~~additional call or assessment, and the subscriber or holder of the~~
21 ~~share is not required to make an additional payment with respect to~~
22 ~~the share.~~

23 ~~(c) The shareholders of an insurance company authorizing~~
24 ~~shares of stock without par value must in good faith subscribe and~~
25 ~~pay for shares representing at least 50 percent of the authorized~~
26 ~~shares without par value before the company is granted a charter or~~
27 ~~has its charter amended to authorize the issuance of shares without~~

1 ~~par value. The total amount paid for the shares must be at least~~
2 ~~\$250,000.~~

3 ~~(d) When an application for charter or an amendment to the~~
4 ~~charter authorizing the issuance of shares without par value is~~
5 ~~filed, the insurance company shall file with the department a~~
6 ~~statement under oath stating:~~

7 ~~(1) the number of shares without par value subscribed,~~
8 ~~and~~

9 ~~(2) the actual consideration the company received for~~
10 ~~those shares.~~

11 ~~(e) If all of the authorized shares of stock without par~~
12 ~~value are not subscribed and paid for when the charter is granted or~~
13 ~~the amendment is filed, respectively, the insurance company shall~~
14 ~~file with the department a certificate authenticated by a majority~~
15 ~~of the directors stating the number of shares without par value~~
16 ~~issued and the consideration received for those shares.~~

17 ~~(f) The insurance company shall file the certificate~~
18 ~~required by Subsection (e) not later than the 90th day after the~~
19 ~~date of issuance of those remaining shares. The portion of the~~
20 ~~consideration received for shares without par value that is~~
21 ~~designated as capital by the company's directors, or by the~~
22 ~~company's shareholders if the charter or articles of incorporation~~
23 ~~reserve the right to make that determination to the shareholders,~~
24 ~~constitutes capital and the remainder, if any, constitutes surplus.~~
25 ~~The company is not required to file an amendment to its charter or~~
26 ~~take further action to effect the increase in the capital and~~
27 ~~surplus of the company.~~

1 ~~Sec. 841.058. APPLICATION FOR CHARTER. (a) To obtain a~~
2 ~~charter for a domestic insurance company, the incorporators must~~
3 ~~pay to the department the charter fee in an amount determined under~~
4 ~~Chapter 202 and file with the department:~~

5 ~~(1) an application for charter on the form and~~
6 ~~containing the information prescribed by the commissioner;~~

7 ~~(2) the company's articles of incorporation; and~~

8 ~~(3) an affidavit made by two or more of the~~
9 ~~incorporators that states that:~~

10 ~~(A) the minimum capital and surplus requirements~~
11 ~~of Section 841.054 are satisfied;~~

12 ~~(B) the capital and surplus are the bona fide~~
13 ~~property of the company; and~~

14 ~~(C) the information in the articles of~~
15 ~~incorporation is true and correct.~~

16 ~~(b) The commissioner may require that the incorporators~~
17 ~~provide at their expense additional evidence of a matter required~~
18 ~~in the affidavit before the commissioner takes further action on~~
19 ~~the application for charter.~~

20 ~~Sec. 841.059. ACTION BY COMMISSIONER AND DEPARTMENT AFTER~~
21 ~~FILING. (a) After the charter fee is paid and all items required~~
22 ~~for a charter under Section 841.058 are filed with the~~
23 ~~department, the department shall make or cause to be made a full~~
24 ~~and thorough examination of the domestic insurance company.~~

25 ~~(b) The domestic insurance company shall pay for the~~
26 ~~examination under Subsection (a)(2).~~

27 ~~Sec. 841.061. ACTION ON APPLICATION. (a) In considering~~

1 ~~the application, the commissioner shall determine if:~~

2 ~~(1) the minimum capital and surplus required by~~
3 ~~Section 841.054 are the bona fide property of the domestic~~
4 ~~insurance company;~~

5 ~~(2) the proposed officers, directors, and managing~~
6 ~~executive of the company have sufficient insurance experience,~~
7 ~~ability, and standing to make success of the proposed company~~
8 ~~probable; and~~

9 ~~(3) the applicants are acting in good faith.~~

10 ~~(b) If the commissioner determines that the applicant has~~
11 ~~not met the standards set out by Subsection (a), the commissioner~~
12 ~~shall deny the application in writing, giving the reason for the~~
13 ~~denial. An application may not be granted unless it is adequately~~
14 ~~supported by competent evidence.~~

15 ~~(b-1) On the applicant's request, the commissioner shall~~
16 ~~hold a hearing on a denial. Not later than the 30th day after the~~
17 ~~date of the applicant's request for a hearing, the commissioner~~
18 ~~shall request a hearing date.~~

19 ~~(b-2) An interested party may participate fully and in all~~
20 ~~respects in any proceeding related to the application. An~~
21 ~~intervenor has the rights and privileges of a proper or necessary~~
22 ~~party in a civil suit in the courts of this state, including the~~
23 ~~right to be represented by counsel.~~

24 ~~(c) If the commissioner does not deny the application under~~
25 ~~Subsection (b), the commissioner shall approve the~~
26 ~~application. On approval of an application, the department shall~~
27 ~~record the information required by Section 841.058 in records~~

1 ~~maintained for that purpose. On receipt of a fee in the amount~~
2 ~~determined under Chapter 202, the commissioner shall provide to the~~
3 ~~incorporators a certified copy of the application, articles of~~
4 ~~incorporation, and submitted affidavit.~~

5 ~~Sec. 841.062. BEGINNING OF CORPORATE EXISTENCE. On receipt~~
6 ~~of the certified copy of documents under Section 841.061(c), the~~
7 ~~domestic insurance company becomes a body politic and corporate,~~
8 ~~and the incorporators may complete organization of the company~~
9 ~~under Section 841.063.~~

10 ~~Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.~~

11 ~~Sec. 841.063. ORGANIZATION MEETING. (a) After receipt of~~
12 ~~the certified copy of documents under Section 841.061(c), the~~
13 ~~incorporators shall promptly call a meeting of the domestic~~
14 ~~insurance company's shareholders. The shareholders shall:~~

15 ~~(1) adopt bylaws to govern the company; and~~

16 ~~(2) elect the company's initial board of directors.~~

17 ~~(b) The directors elected under this section serve until~~
18 ~~directors are first elected under Section 841.153.~~

19 ~~SUBCHAPTER C. AUTHORITY TO ENGAGE IN BUSINESS~~

20 ~~Sec. 841.101. CERTIFICATE OF AUTHORITY REQUIRED. A~~
21 ~~domestic insurance company may not engage in the business of~~
22 ~~insurance in this state, except for the lending of money, without~~
23 ~~first obtaining from the commissioner a certificate of authority~~
24 ~~that:~~

25 ~~(1) shows that the company has fully complied with the~~
26 ~~laws of this state; and~~

27 ~~(2) authorizes the company to engage in the business~~

1 ~~of insurance in this state.~~

2 ~~Sec. 841.102. SCHEDULE OF ASSETS. Two or more officers of~~
3 ~~the domestic insurance company shall execute and file with the~~
4 ~~department.~~

5 ~~(1) a sworn schedule of each of the assets of the~~
6 ~~company exhibited to the department during the examination under~~
7 ~~Section 841.059 showing the value of the assets; and~~

8 ~~(2) a sworn statement that the assets are the bona~~
9 ~~fide, unconditional, and unencumbered property of the company and~~
10 ~~are worth the amount stated in the schedule.~~

11 ~~Sec. 841.103. ISSUANCE OF CERTIFICATE OF AUTHORITY. (a) If~~
12 ~~the commissioner makes a determination favorable to the applicants~~
13 ~~on all issues under Section 841.061(a), the commissioner, on~~
14 ~~compliance with the requirements of Section 841.102, shall issue to~~
15 ~~the domestic insurance company a certificate of authority~~
16 ~~authorizing the company to engage in the kinds of business~~
17 ~~authorized by the company's charter.~~

18 ~~(b) On written request of a domestic insurance company, the~~
19 ~~commissioner shall provide a certified copy of the company's~~
20 ~~certificate of authority to the company for each of the company's~~
21 ~~agents in this state.~~

22 ~~Sec. 841.005104. TAX PAYMENT REQUIRED FOR ISSUANCE OF~~
23 ~~CERTAIN CERTIFICATES OF AUTHORITY. (a) This section applies to a~~
24 ~~life insurance company that:~~

25 ~~(1) has previously held a certificate of authority to~~
26 ~~engage in the business of life insurance in this state;~~

27 ~~(2) ceased to write new business in this state under~~

1 that certificate of authority; and

2 (3) after ceasing to write new business, continued to
3 collect from residents of this state renewal or other premiums on
4 policies written under that certificate of authority.

5 (b) A life insurance company to which this section applies
6 may not obtain a new certificate of authority to engage in the
7 business of life insurance in this state until the company:

8 (1) files with the department under oath a report that
9 discloses the gross amount of renewal or other premiums received
10 each calendar year from residents of this state after the period
11 covered by the company's last tax report of gross premium receipts
12 filed under this code; and

13 (2) pays to the state occupation taxes on those
14 premiums.

15 (c) The life insurance company shall pay the occupation tax
16 for each year of nonpayment. The company shall pay the tax for each
17 year at the same rate for that year as a company engaged in the
18 business of life insurance in this state during that year.

19 (d) The life insurance company shall remit the penalties for
20 failure to pay the taxes and file required reports when the company
21 pays the taxes and receives a certificate of authority.

22 ~~SUBCHAPTER D. MANAGEMENT OF COMPANY~~

23 ~~Sec. 841.151. CONDUCTING SHAREHOLDERS' MEETING. (a) At a~~
24 ~~meeting of a domestic insurance company's shareholders, each~~
25 ~~shareholder is entitled to one vote for each fully paid up share of~~
26 ~~stock appearing in the shareholder's name on the company's books,~~
27 ~~except to the extent that the articles of incorporation increase,~~

1 ~~limit, or deny voting rights to the holders of the shares of a class~~
2 ~~of stock as authorized by the Texas Business Corporation Act.~~

3 ~~(b) A shareholder may vote in person or by written proxy.~~

4 ~~(c) At a shareholders' meeting, a quorum is any number of~~
5 ~~shareholders whose cumulative stock ownership in the domestic~~
6 ~~insurance company represents a majority of the company's paid up~~
7 ~~capital stock.~~

8 ~~Sec. 841.152. BOARD OF DIRECTORS. (a) Subject to the~~
9 ~~bylaws of the domestic insurance company, as adopted or amended by~~
10 ~~the shareholders or directors, the board of directors has full~~
11 ~~management and control of the company.~~

12 ~~(b) The board consists of not fewer than five directors. A~~
13 ~~director is not required to be a shareholder unless such a~~
14 ~~qualification is required by the articles of incorporation or~~
15 ~~bylaws of the company.~~

16 ~~(c) The directors shall keep a full and correct record of~~
17 ~~the board's transactions. The shareholders may inspect those~~
18 ~~records during business hours.~~

19 ~~(d) The directors shall fill a vacancy that occurs on the~~
20 ~~board or in any office of the company.~~

21 ~~(e) A majority of the board is a quorum.~~

22 ~~Sec. 841.153. ELECTION OF DIRECTORS. (a) After a domestic~~
23 ~~insurance company completes the organization of the company under~~
24 ~~Section 841.063, the company shall hold an annual meeting of the~~
25 ~~company's shareholders on the fourth Tuesday in April at the home~~
26 ~~office of the company to elect the company's board of directors.~~

27 ~~(b) After the directors are first elected under this~~

1 ~~section, the annual meeting must be before May 1 of each year as~~
2 ~~established by the company's bylaws. The directors serve one-year~~
3 ~~terms beginning immediately after the election, except as provided~~
4 ~~by Section 841.154.~~

5 ~~(c) If the shareholders do not elect directors at an annual~~
6 ~~meeting, the shareholders may elect the directors at a special~~
7 ~~shareholders' meeting called for that purpose.~~

8 ~~Sec. 841.154. STAGGERED TERMS FOR LARGE BOARD OF DIRECTORS.~~

9 ~~(a) This section applies only to a domestic insurance company whose~~
10 ~~board of directors consists of at least nine members.~~

11 ~~(b) The bylaws of a domestic insurance company may provide~~
12 ~~that the company's directors, other than initial directors, may be~~
13 ~~elected to serve staggered terms as provided by this section.~~

14 ~~(c) The company's directors shall be divided into two or~~
15 ~~three classes, with each class consisting of an equal number of~~
16 ~~directors to the extent possible. After the directors are divided~~
17 ~~into classes:~~

18 ~~(1) the terms of the directors in the first class~~
19 ~~expire on the first annual meeting date after their initial~~
20 ~~election;~~

21 ~~(2) the terms of the directors in the second class~~
22 ~~expire on the second annual meeting date after their initial~~
23 ~~election; and~~

24 ~~(3) the terms of the directors in the third class, if~~
25 ~~any, expire on the third annual meeting date after their initial~~
26 ~~election.~~

27 ~~(d) At each annual meeting after the directors are first~~

1 ~~elect~~, the shareholders shall elect the number of directors whose
2 terms expire on that date. Directors are elected for:

3 ~~(1) staggered two-year terms, if the board is divided~~
4 ~~into two classes, or~~

5 ~~(2) staggered three-year terms, if the board is~~
6 ~~divided into three classes.~~

7 ~~Sec. 841.155. OFFICERS. (a) A domestic insurance~~
8 ~~company's directors shall choose one of the directors to serve as~~
9 ~~the company's president.~~

10 ~~(b) Other officers of the domestic insurance company shall~~
11 ~~be chosen in accordance with the company's bylaws. An officer is~~
12 ~~not required to be a shareholder unless such a qualification is~~
13 ~~required by the company's articles of incorporation or bylaws. An~~
14 ~~officer other than the president is not required to be a director~~
15 ~~unless such a qualification is required by the company's bylaws.~~

16 ~~(c) The duties and compensation of a domestic insurance~~
17 ~~company's officers are as stated in the company's bylaws. If the~~
18 ~~bylaws do not state the duties or compensation of the officers, the~~
19 ~~directors shall establish the duties or compensation.~~

20 ~~Sec. 841.156. AMENDMENT OF CHARTER OR ARTICLES. (a) The~~
21 ~~shareholders of a domestic insurance company by resolution may~~
22 ~~amend the company's charter or articles of incorporation at any~~
23 ~~shareholders' meeting.~~

24 ~~(b) The amendment and a copy of the resolution certified by~~
25 ~~the president and secretary of the domestic insurance company shall~~
26 ~~be filed and recorded in the same manner as the charter.~~

27 ~~(c) An amendment of the charter or articles takes effect~~

1 ~~when it is recorded.~~

2 SUBCHAPTER ~~B~~E. CAPITAL AND SURPLUS

3 Sec. 841.201. FORM OF REQUIRED CAPITAL AND SURPLUS.

4 Notwithstanding any other provision of this code, ~~after a charter~~
5 ~~is granted under this chapter,~~ the domestic insurance company:

6 (1) shall maintain the company's minimum capital at
7 all times in a form described by Chapter 801 Section 841.054(e); and

8 (2) may invest the company's surplus as provided by
9 this code.

10 ~~Sec. 841.202. AUTHORIZED SHARES. (a) At any shareholders'~~
11 ~~meeting, shareholders of a domestic insurance company whose~~
12 ~~cumulative stock ownership represents a majority of the capital~~
13 ~~stock of the company by resolution may increase or decrease the~~
14 ~~amount of the company's capital stock, subject to this section.~~

15 ~~(b) Capital stock may never be decreased to an amount that~~
16 ~~is less than the minimum amount of paid-up stock required by Section~~
17 ~~841.054.~~

18 ~~(c) Two officers of the domestic insurance company must sign~~
19 ~~and acknowledge a statement of the increase or decrease. The~~
20 ~~acknowledged statement and a certified copy of the resolution shall~~
21 ~~be filed and recorded in the same manner as the charter.~~

22 ~~(d) For an increase or decrease of capital stock, the~~
23 ~~domestic insurance company may require the return of the original~~
24 ~~certificates evidencing the stock in exchange for new certificates.~~
25 ~~An issuance of new certificates that results in a transfer of stock~~
26 ~~is subject to Section 841.254.~~

27 ~~Sec. 841.203. COMPANY'S REPURCHASE OF STOCK. (a) A legal~~

1 ~~reserve life insurance company may purchase in the name of the~~
2 ~~company outstanding shares of the company's capital stock as~~
3 ~~provided by the Texas Business Corporation Act.~~

4 ~~(b) A purchase of stock under this section is not considered~~
5 ~~an investment and does not violate the provisions of this code~~
6 ~~relating to eligible investments for a legal reserve life insurance~~
7 ~~company.~~

8 ~~(c) A legal reserve life insurance company that purchases~~
9 ~~stock under this section shall file with the department not later~~
10 ~~than the 10th day after the date of the purchase a statement that~~
11 ~~contains:~~

12 ~~(1) the name of each shareholder from whom the shares~~
13 ~~were purchased; and~~

14 ~~(2) the sum of money paid for those shares.~~

15 ~~Sec. 841.204. EXEMPTION FROM REQUIRED INCREASE OF CAPITAL~~
16 ~~AND SURPLUS. (a) Except as otherwise provided by this chapter, a~~
17 ~~domestic insurance company that after September 1, 1991, had less~~
18 ~~than the minimum amount of capital and surplus required for a newly~~
19 ~~incorporated company under Section 841.054 may continue to transact~~
20 ~~the kinds of business for which it holds a certificate of authority.~~

21 ~~(b) The insurance company shall immediately increase the~~
22 ~~amount of its capital to the required amount of capital under~~
23 ~~Section 841.054 if there is:~~

24 ~~(1) a change in the control of at least 50 percent of~~
25 ~~the voting securities of the insurance company,~~

26 ~~(2) a change in the control of at least 50 percent of~~
27 ~~the voting securities of a holding company controlling the~~

1 ~~insurance company; or~~

2 ~~(3) a change in control of at least 50 percent by any~~
3 ~~other method of control if the insurance company or holding company~~
4 ~~is not controlled by voting securities.~~

5 ~~(c) For purposes of Subsection (b), a transfer of ownership~~
6 ~~that occurs because of death, regardless of whether the decedent~~
7 ~~died testate or intestate, may not be considered a change in the~~
8 ~~control of an insurance company or holding company if ownership is~~
9 ~~transferred solely to one or more individuals, each of whom would be~~
10 ~~an heir of the decedent if the decedent had died intestate.~~

11 ~~Sec. 841.205. COMMISSIONER MAY REQUIRE LARGER CAPITAL AND~~
12 ~~SURPLUS AMOUNTS. (a) The commissioner by rule or guideline may~~
13 ~~require a domestic insurance company that writes or assumes a life~~
14 ~~insurance or annuity contract or assumes liability on or~~
15 ~~indemnifies one person for any risk under an accident and health~~
16 ~~insurance policy, or a combination of these policies, in an amount~~
17 ~~that exceeds \$10,000, to maintain capital and surplus in amounts~~
18 ~~that exceed the minimum amounts required by this chapter because~~
19 ~~of:~~

20 ~~(1) the nature and kind of risks the company~~
21 ~~underwrites or reinsures;~~

22 ~~(2) the premium volume of risks the company~~
23 ~~underwrites or reinsures;~~

24 ~~(3) the composition, quality, duration, or liquidity~~
25 ~~of the company's investment portfolio;~~

26 ~~(4) fluctuations in the market value of securities the~~
27 ~~company holds; or~~

1 ~~(5) the adequacy of the company's reserves.~~

2 ~~(b) A rule adopted under Subsection (a) must be designed to~~
3 ~~ensure the financial solvency of an insurance company for the~~
4 ~~protection of policyholders but may not require that the total~~
5 ~~admitted assets of a company exceed 106 percent of its total~~
6 ~~liabilities.~~

7 ~~(c) A fraternal benefit society operating under Chapter 885~~
8 ~~and a mutual life insurance company operating under Chapter 882 are~~
9 ~~subject to a rule adopted under this section.~~

10 ~~Sec. 841.206. IMPAIRMENT OF CAPITAL AND SURPLUS. (a) An~~
11 ~~insurance company incorporated or authorized to do the lines of~~
12 ~~business authorized in this chapter may not have:~~

13 ~~(1) the company's required capital impaired;~~

14 ~~(2) more than 90 percent of the company's required~~
15 ~~minimum surplus impaired; or~~

16 ~~(3) the surplus required under Section 841.205~~
17 ~~impaired.~~

18 ~~(b) If the commissioner determines that an insurance~~
19 ~~company's capital or surplus is impaired in violation of this~~
20 ~~section, the commissioner shall:~~

21 ~~(1) order the company to immediately reduce the level~~
22 ~~of impairment to an acceptable level of impairment as specified by~~
23 ~~the commissioner or prohibit the company from engaging in the~~
24 ~~business of insurance in this state; and~~

25 ~~(2) begin proceedings as necessary to determine any~~
26 ~~further actions with respect to the impairment.~~

27 ~~Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.~~

1 ~~Sec. 841.207. ACTIONS OF COMMISSIONER WHEN CAPITAL AND~~
2 ~~SURPLUS REQUIREMENTS NOT SATISFIED. If an insurance company does~~
3 ~~not comply with the capital and surplus requirements of this~~
4 ~~chapter, the commissioner may order the insurance company to cease~~
5 ~~writing new business and may:~~

6 ~~(1) place the insurance company under state~~
7 ~~supervision or conservatorship;~~

8 ~~(2) declare the insurance company to be in a hazardous~~
9 ~~condition as provided by Subchapter A, Chapter 404;~~

10 ~~(3) declare the insurance company to be impaired as~~
11 ~~provided by Section 841.206; or~~

12 ~~(4) apply to the insurance company any other~~
13 ~~applicable sanction provided by this code.~~

14 SUBCHAPTER ~~C~~F. GENERAL POWERS, DUTIES, AND LIMITATIONS

15 Sec. 841.251. EVIDENCE OF EXPENDITURES. (a) A domestic
16 insurance company may not make an expenditure of \$100 or more unless
17 the expenditure is evidenced by a voucher that:

18 (1) is signed by or on behalf of the individual, firm,
19 or corporation that receives the money; and

20 (2) describes the consideration received for the
21 payment correctly.

22 (b) For an expenditure for both services and disbursements,
23 the voucher must state the services rendered and disbursement made.

24 (c) For an expenditure related to a matter pending before a
25 legislature or public body or a department or officer of a state or
26 government, the voucher must describe both the nature of the matter
27 and the interest of the company in the matter correctly.

1 (d) If the domestic insurance company cannot obtain a
2 voucher as required by this section, the expenditure must be
3 evidenced by:

4 (1) a paid check; or

5 (2) an affidavit that:

6 (A) describes the nature and purpose of the
7 expenditure; and

8 (B) states the reason the voucher was not
9 obtained.

10 Sec. 841.252. PAYMENTS TO OFFICERS, DIRECTORS, AND
11 EMPLOYEES. (a) Unless first authorized by a vote of a domestic
12 insurance company's board of directors or a committee of the board
13 that has the duty to authorize the payments, the company may not pay
14 any compensation or emolument in an amount that, when added to any
15 compensation or emolument paid to the person by an affiliated
16 domestic insurance company, exceeds \$150,000 in any year to an
17 individual, firm, or corporation, including an officer or director
18 of the company.

19 (b) Subsection (a) does not prevent a domestic insurance
20 company from contracting with its agents for the payment of renewal
21 commissions.

22 (c) The shareholders of a domestic insurance company may
23 authorize the creation of one or more plans for the payment of
24 pensions, retirement benefits, or group insurance for the company's
25 officers and employees. The shareholders may delegate to the
26 company's board of directors the power and duty to prepare, effect,
27 finally approve, administer, and amend a plan.

1 (d) A mutual insurance company, acting through the
2 company's policyholders, may exercise the same discretion, and has
3 the same powers, privileges, and rights, as are conferred on a
4 domestic insurance company under Subsection (c).

5 Sec. 841.253. LIFE INSURANCE COMPANY'S PAYMENT OF
6 DIVIDENDS. (a) A life insurance company may declare or pay a
7 dividend to its:

8 (1) policyholders only from the expense loading and
9 profits made by the company; and

10 (2) shareholders only from the company's earned
11 surplus, as defined by the commissioner.

12 (b) A life insurance company that is not showing a profit
13 may pay a dividend on its participating policies from the expense
14 loading on those policies.

15 (c) A life insurance company may not discriminate between
16 policyholders in paying a dividend from the expense loading under
17 this section.

18 Sec. 841.254. TRANSFER OF STOCK. (a) A domestic insurance
19 company's shares of stock are transferrable on the company's books,
20 in accordance with law and the bylaws of the company, by the owner
21 or the owner's authorized agent.

22 (b) Each person who becomes a shareholder by a transfer of
23 shares succeeds to all rights of the former holder of those shares,
24 by reason of that ownership.

25 ~~Sec. 841.255. ANNUAL STATEMENT; FILING FEE. (a) Not later~~
26 ~~than March 1 of each year, a domestic insurance company shall:~~

27 ~~(1) prepare a statement showing the condition of the~~

1 ~~company on December 31 of the preceding year, and~~

2 ~~(2) deliver the statement to the department~~
3 ~~accompanied by a filing fee in the amount determined under Chapter~~
4 ~~202.~~

5 ~~(b) The statement must be under oath of two of the domestic~~
6 ~~insurance company's officers and show in detail:~~

7 ~~(1) the character of the company's assets and~~
8 ~~liabilities on December 31 of the preceding year;~~

9 ~~(2) the amount and character of business transacted~~
10 ~~and money received during the preceding year;~~

11 ~~(3) how money was spent during the preceding year;~~

12 ~~(4) the number and amount of the company's policies in~~
13 ~~force in this state on that date; and~~

14 ~~(5) the total amount of the company's policies in force~~
15 ~~on that date.~~

16 Sec. 841.2556. BUSINESS IN SEPARATE DEPARTMENTS OF DOMESTIC
17 INSURANCE COMPANY. A domestic insurance company may not transact
18 more than one of the following kinds of insurance business
19 ~~described by Section 841.051(a)~~ unless the company establishes
20 separate departments to transact each kind of business:

21 (1) life insurance;

22 (2) accident insurance; and

23 (3) health insurance.

24 Sec. 841.2567. KINDS OF BUSINESS LIMITED. An insurance
25 company authorized to engage in the business of insurance under
26 this chapter 801 and operating under this Chapter ~~or in accordance~~
27 ~~with Section 982.051~~ may not accept a risk or write an insurance

1 policy in this state or any other state or country other than:

2 (1) a life, accident, or health insurance policy;

3 (2) reinsurance under Sections 492.051(b) and (c) or
4 Chapter 493 by a life insurance company authorized to engage in the
5 business of insurance in this state; or

6 (3) reinsurance under Chapter 494 by a domestic
7 insurance company.

8 Sec. 841.2578. AGENTS FOR COMPANY THAT CEASES WRITING NEW
9 BUSINESS. An insurance company that ceases to write new business in
10 this state may maintain in this state agents to collect renewal
11 premiums on outstanding policies the company has written under its
12 certificate of authority.

13 Sec. 841.2589. ACTIVITIES OF DIRECTORS AND OFFICERS. (a) A
14 director or officer of an insurance company may not:

15 (1) receive money or another valuable thing for
16 negotiating, procuring, recommending, or aiding in a purchase or
17 sale of property by or a loan from the company; or

18 (2) have a pecuniary interest, as a principal,
19 coprincipal, agent, or beneficiary, in a purchase, sale, or loan
20 described by Subdivision (1).

21 (b) This section does not prohibit:

22 (1) a life insurance company from making a loan to a
23 policyholder in an amount that is not greater than the reserve value
24 of the policy; or

25 (2) a transaction, purchase, sale, or loan approved by
26 the commissioner under Subchapter A of Chapter 805 or Chapter 823.

27 Sec. 841.2590. PROHIBITED COMMISSIONS. (a) In this

1 section, "contingent compensation" means a commission or other
2 compensation an insurance company pays to a person that is
3 contingent on:

4 (1) the writing or procurement of an insurance policy
5 in the company;

6 (2) the procurement of an application for an insurance
7 policy in the company;

8 (3) the payment of a renewal premium; or

9 (4) the assumption of an insurance risk by the
10 company.

11 (b) A life insurance company that engages in the business of
12 insurance in this state may not, directly or indirectly, pay or
13 contract to pay a contingent compensation to:

14 (1) the president, vice president, secretary, or
15 treasurer of the company;

16 (2) any other officer of the company, other than an
17 agent or solicitor;

18 (3) an actuary of the company; or

19 (4) a medical director or other physician of the
20 company whose duty is to examine risks or applications for
21 insurance for the company.

22 (c) This section does not prohibit a plan of compensation to
23 a marketing officer according to the total amount of insurance the
24 insurance company writes or to the total amount of insurance in
25 force with the insurance company during a specified period if:

26 (1) the commissioner approves the plan under
27 Subchapter A, Chapter 805;

1 (2) the marketing officer is not responsible for
2 underwriting, rating, or otherwise approving the acceptability of
3 insurance risks; and

4 (3) the plan does not compensate the marketing officer
5 according to commissions on individual sales of any insurance
6 product.

7 Sec. 841.260~~1~~. CAUSES OF ACTION. (a) A domestic
8 insurance company may bring an action against any person, including
9 a policyholder or shareholder of the company, for any cause related
10 to the company's business.

11 (b) A policyholder or an heir or legal representative of a
12 policyholder may bring an action against a domestic insurance
13 company for a loss that accrues on a policy.

14 (c) An action enjoining, restraining, or interfering with
15 the prosecution of a domestic insurance company's business may be
16 brought only by the department.

17 SECTION 5. Title 6, Chapter 861, is repealed in its
18 entirety.

19 SECTION 6. Title 6, Chapter 882, Subchapters A - D, is
20 amended and renumbered to read as follows:

21 SUBCHAPTER A. GENERAL PROVISIONS

22 Sec. 882.001. APPLICABILITY OF THIS CHAPTER AND OTHER LAW.
23 Except to the extent of any conflict with this chapter, a law
24 governing a company organized under Chapter 801 and operating under
25 Chapter 841 applies to a mutual life insurance company organized
26 under this chapter.

27 ~~Sec. 882.002. EXAMINATION OF COMPANY. The following~~

1 ~~provisions apply to a mutual life insurance company organized under~~
2 ~~this chapter:~~

3 ~~(1) Subchapter A, Chapter 86, and~~

4 ~~(2) Sections 401.051, 401.052, 401.054-401.062,~~
5 ~~401.151, 401.152, 401.155, and 401.156.~~

6 ~~Sec. 882.003. ANNUAL STATEMENT. A mutual life insurance~~
7 ~~company shall file an annual statement with the department.~~

8 SUBCHAPTER B ~~E~~: AGENTS

9 SUBCHAPTER C ~~F~~: GENERAL FINANCIAL REQUIREMENTS

10 SUBCHAPTER D ~~G~~: UNENCUMBERED SURPLUS REQUIREMENTS

11 SUBCHAPTER E ~~H~~: DIVIDENDS

12 SUBCHAPTER F ~~I~~: CONTINGENCY RESERVE

13 SUBCHAPTER G ~~J~~: POLICY REQUIREMENTS

14 SUBCHAPTER H ~~K~~: TOTAL ASSUMPTION REINSURANCE AGREEMENTS

15 SUBCHAPTER I ~~L~~: MERGERS AND ACQUISITIONS

16 SUBCHAPTER J ~~M~~: CONVERSAION OF MUTUAL LIFE INSURANCE COMPANY TO

17 STOCK LEGAL RESERVE LIFE INSURANCE COMPANY

18 SUBCHAPTER K ~~N~~: CONVERSION OF CERTAIN MUTUAL ASSESSMENT COMPANIES

19 OR ASSOCIATIONS TO MUTUAL LIFE INSURANCE COMPANIES

20 SUBCHAPTER L ~~O~~: ENFORCEMENT PROVISIONS

21 SUBCHAPTER M ~~P~~: CONVERSION OF MUTUAL LIFE INSURANCE COMPANY TO

22 INSURANCE HOLDING COMPANY AND STOCK LIFE INSURANCE COMPANY

23 ~~SUBCHAPTER B. FORMATION AND STRUCTURE OF MUTUAL LIFE INSURANCE~~

24 ~~COMPANY~~

25 ~~Sec. 882.051. AUTHORITY TO FORM COMPANY; PURPOSE. A mutual~~

26 ~~life insurance company may be formed under this chapter to insure~~

27 ~~the lives of individuals on the mutual level premium and legal~~

1 ~~reserve plan.~~

2 ~~Sec. 882.052. FORMATION OF COMPANY; ARTICLES OF~~
3 ~~INCORPORATION. (a) Nine or more persons who are residents of this~~
4 ~~state may form a mutual life insurance company by executing and~~
5 ~~acknowledging articles of incorporation for that purpose.~~

6 ~~(b) The articles of incorporation of the proposed company~~
7 ~~must state:~~

8 ~~(1) the name and residence of each incorporator;~~

9 ~~(2) the name of the company;~~

10 ~~(3) the location of the company's principal office at~~
11 ~~which company business is to be transacted;~~

12 ~~(4) the number of directors;~~

13 ~~(5) the name and residence of each initial director;~~

14 ~~and~~

15 ~~(6) the amount of the company's unencumbered surplus.~~

16 ~~Sec. 882.053. COMPANY'S NAME. (a) The name of a mutual~~
17 ~~life insurance company must contain the words "Mutual Life~~
18 ~~Insurance Company."~~

19 ~~(b) A mutual life insurance company's name may not be so~~
20 ~~similar to the name of another insurance company as to likely~~
21 ~~mislead the public.~~

22 ~~Sec. 882.054. INITIAL BOARD OF DIRECTORS; TERM. An initial~~
23 ~~director named as provided in Section 882.052 serves until:~~

24 ~~(1) the first annual election of directors;~~

25 ~~(2) the initial director's successor qualifies for~~
26 ~~office; or~~

27 ~~(3) the initial director is removed from the board for~~

1 ~~improper practices.~~

2 ~~Sec. 882.055. UNENCUMBERED SURPLUS REQUIREMENTS. A mutual~~
3 ~~life insurance company must possess at the time of incorporation~~
4 ~~unencumbered surplus in an amount of at least \$200,000. The~~
5 ~~unencumbered surplus may consist only of:~~

6 ~~(1) United States currency;~~

7 ~~(2) bonds of the United States, this state, or a county~~
8 ~~or municipality of this state; or~~

9 ~~(3) government insured mortgage loans that are~~
10 ~~authorized by this chapter, with not more than 25 percent of the~~
11 ~~unencumbered surplus invested in first mortgage real estate loans.~~

12 ~~Sec. 882.056. APPLICATION FOR CHARTER. (a) To obtain a~~
13 ~~charter for a mutual life insurance company under this chapter, the~~
14 ~~incorporators must pay the charter fee in the amount determined~~
15 ~~under Chapter 202 and file with the department:~~

16 ~~(1) an application for charter on the form and~~
17 ~~including the information prescribed by the commissioner;~~

18 ~~(2) the company's articles of incorporation; and~~

19 ~~(3) an affidavit made by two or more of the~~
20 ~~incorporators that states that:~~

21 ~~(A) the unencumbered surplus requirements of~~
22 ~~Section 882.055 are satisfied;~~

23 ~~(B) the unencumbered surplus is the bona fide~~
24 ~~property of the company; and~~

25 ~~(C) the information in the application and~~
26 ~~articles of incorporation is true and correct.~~

27 ~~(b) The commissioner may require that the incorporators~~

1 ~~provide at their expense additional evidence of a matter required~~
2 ~~in the affidavit before the commissioner takes further action on~~
3 ~~the application for the charter.~~

4 ~~(c) The charter must state the name of each director who is~~
5 ~~to serve until the first annual election.~~

6 ~~Sec. 882.057. APPLICATION PROCESS. (a) After the charter~~
7 ~~fee is paid and all items required for a charter under Section~~
8 ~~882.056 are filed with the department, the commissioner shall~~
9 ~~approve, deny, or disapprove the application.~~

10 ~~(b) On the applicant's request, the commissioner shall hold~~
11 ~~a hearing on a denial. Not later than the 30th day after the date~~
12 ~~of the applicant's request for a hearing, the commissioner shall~~
13 ~~request a hearing date.~~

14 ~~(c) An interested party may participate fully and in all~~
15 ~~respects in any proceeding related to the application. An~~
16 ~~intervenor has the rights and privileges of a proper or necessary~~
17 ~~party in a civil suit in the courts of this state, including the~~
18 ~~right to be represented by counsel.~~

19 ~~Sec. 882.058. ACTION ON APPLICATION. (a) In considering~~
20 ~~the application, the commissioner shall determine if:~~

21 ~~(1) the minimum unencumbered surplus required by~~
22 ~~Section 882.055 is the bona fide property of the mutual life~~
23 ~~insurance company;~~

24 ~~(2) the proposed officers, directors, and managing~~
25 ~~executives of the company have sufficient insurance experience,~~
26 ~~ability, and standing to make success of the proposed company~~
27 ~~probable; and~~

1 ~~(3) the applicants are acting in good faith.~~

2 ~~(b) If the commissioner determines that the applicant has~~
3 ~~not met the standards set out by Subsection (a), the commissioner~~
4 ~~shall deny the application in writing, giving the reason for the~~
5 ~~denial. An application may not be granted unless it is adequately~~
6 ~~supported by competent evidence.~~

7 ~~(c) Repealed by Acts 2009, 81st Leg., R.S., Ch. 1022, Sec.~~
8 ~~19(6), eff. June 19, 2009.~~

9 ~~Sec. 882.059. EXAMINATION AFTER DETERMINATION. After~~
10 ~~making a determination on an application under Section 882.058, the~~
11 ~~commissioner shall immediately make or cause to be made a full and~~
12 ~~thorough examination of the mutual life insurance company. The~~
13 ~~company shall pay for the examination.~~

14 ~~SUBCHAPTER C. AUTHORITY TO ENGAGE IN BUSINESS~~

15 ~~Sec. 882.101. ISSUANCE OF CERTIFICATE OF AUTHORITY. (a)~~
16 ~~After the examination of a mutual life insurance company under~~
17 ~~Section 882.059, the commissioner shall issue a certificate of~~
18 ~~authority to the company if the commissioner finds that:~~

19 ~~(1) the company has complied with all applicable laws,~~
20 ~~(2) the company satisfies the unencumbered surplus~~
21 ~~requirements of Section 882.055, and~~

22 ~~(3) the company's unencumbered surplus is in the~~
23 ~~custody of the company's officers.~~

24 ~~(b) A certificate of authority issued under this section~~
25 ~~authorizes the company to engage in the business of life, health, or~~
26 ~~accident insurance in this state as may be specified in the~~
27 ~~company's charter or charter application.~~

1 ~~SUBCHAPTER D. MANAGEMENT OF MUTUAL LIFE INSURANCE COMPANY~~

2 ~~Sec. 882.151. BOARD OF DIRECTORS. (a) The board of~~
3 ~~directors of a mutual life insurance company controls the business~~
4 ~~of the company.~~

5 ~~(b) The board of directors consists of at least five~~
6 ~~directors as stated in the company's articles of incorporation.~~

7 ~~Sec. 882.152. ADOPTION OF INITIAL BYLAWS. (a) At the first~~
8 ~~meeting of the initial board of directors of a mutual life insurance~~
9 ~~company after the department issues a certificate of authority to~~
10 ~~the company, the board shall adopt the initial bylaws of the~~
11 ~~company.~~

12 ~~(b) The bylaws adopted under Subsection (a) shall govern the~~
13 ~~company until the first annual meeting of the board of directors.~~

14 ~~Sec. 882.153. ANNUAL MEETING. (a) Except as provided by~~
15 ~~Subsection (b), after a mutual life insurance company is issued a~~
16 ~~certificate of authority under Section 882.101, the company shall~~
17 ~~hold an annual meeting of the policyholders on the fourth Tuesday in~~
18 ~~April at the home office of the company or another location properly~~
19 ~~announced to each policyholder.~~

20 ~~(b) The bylaws of a mutual life insurance company may~~
21 ~~establish an annual meeting date different than the date under~~
22 ~~Subsection (a). A meeting date established under this subsection~~
23 ~~must be before April 30 of each year.~~

24 ~~(c) At each annual meeting, the policyholders:~~

25 ~~(1) shall elect the company's board of directors to~~
26 ~~serve until the next annual meeting, except as provided by Section~~
27 ~~882.154, and~~

1 ~~(2) may adopt, amend, or repeal the bylaws of the~~
2 ~~company.~~

3 ~~Sec. 882.154. STAGGERED TERMS FOR LARGE BOARD OF DIRECTORS.~~

4 ~~(a) This section applies only to a mutual life insurance company~~
5 ~~whose board of directors consists of at least nine members.~~

6 ~~(b) The bylaws of a mutual life insurance company may~~
7 ~~provide that the company's directors, other than initial directors,~~
8 ~~may be elected to serve staggered terms as provided by this section.~~

9 ~~(c) The company's directors shall be divided into two or~~
10 ~~three classes, with each class consisting of an equal number of~~
11 ~~directors to the extent possible. After the directors are divided~~
12 ~~into classes:~~

13 ~~(1) the terms of the directors in the first class~~
14 ~~expire on the first annual meeting date after their initial~~
15 ~~election;~~

16 ~~(2) the terms of the directors in the second class~~
17 ~~expire on the second annual meeting date after their initial~~
18 ~~election; and~~

19 ~~(3) the terms of the directors in the third class, if~~
20 ~~any, expire on the third annual meeting date after their initial~~
21 ~~election.~~

22 ~~(d) At each annual meeting after the directors are first~~
23 ~~elected, the policyholders shall elect the number of directors~~
24 ~~whose terms expire on that date. Directors are elected for:~~

25 ~~(1) staggered two-year terms, if the board is divided~~
26 ~~into two classes; or~~

27 ~~(2) staggered three-year terms, if the board is~~

1 ~~divided into three classes.~~

2 ~~Sec. 882.155. VOTING BY POLICYHOLDERS. (a) At an annual or~~
3 ~~special meeting of a mutual life insurance company, each~~
4 ~~policyholder is entitled to one vote for each \$500 of insurance held~~
5 ~~by the policyholder in the company.~~

6 ~~(b) A policyholder may vote at an annual or special meeting~~
7 ~~by proxy, unless the proxy is revoked before the meeting.~~

8 ~~Sec. 882.156. OFFICERS. (a) The board of directors of a~~
9 ~~mutual life insurance company shall elect the following officers~~
10 ~~for the company:~~

11 ~~(1) a president;~~

12 ~~(2) the number of vice presidents as required by the~~
13 ~~company's bylaws;~~

14 ~~(3) a secretary;~~

15 ~~(4) a treasurer;~~

16 ~~(5) a medical director; and~~

17 ~~(6) other officers as required by the company's~~
18 ~~bylaws.~~

19 ~~(b) The board shall establish the compensation of each~~
20 ~~officer.~~

21 ~~(c) The duties of each officer shall be prescribed by the~~
22 ~~company's bylaws.~~

23 ~~Sec. 882.157. OFFICER BONDS. The president, secretary, and~~
24 ~~treasurer of a mutual life insurance company shall each provide a~~
25 ~~bond for the protection of the company's policyholders:~~

26 ~~(1) in an amount and with sureties approved by the~~
27 ~~commissioner; and~~

1 ~~(2) conditioned on the faithful performance of the~~
2 ~~officer's duties.~~

3 ~~Sec. 882.158. BYLAWS MUST COMPLY WITH LAW. The bylaws of a~~
4 ~~mutual life insurance company may not be inconsistent with this~~
5 ~~chapter or other laws of this state.~~

6 SECTION 7. Title 6, Chapter 883, is amended to read as
7 follows:

8 SUBCHAPTER A. GENERAL PROVISIONS

9 Sec. 883.001. DEFINITIONS. In this chapter:

10 (1) "Domestic mutual insurance company" means a mutual
11 insurance company organized under ~~this chapter~~ Chapter 801.

12 (2) "Foreign mutual insurance company" means a mutual
13 insurance company organized under the laws of a jurisdiction other
14 than this state and authorized to engage in the business of
15 insurance on a mutual plan in any state, district, or territory.

16 Sec. 883.002. APPLICABILITY OF CERTAIN GENERAL LAWS. (a)
17 Except as otherwise provided by law, domestic and foreign mutual
18 insurance companies organized or operating under this chapter are
19 subject to the laws applicable to:

20 (1) a stock insurance company engaging in the same
21 kind of insurance;

22 (2) investments;

23 (3) valued policies;

24 (4) policy forms and rates;

25 (5) reciprocal or retaliatory laws;

26 (6) insolvency and liquidation; and

27 (7) publication and defamatory statements.

1 (b) This chapter does not exempt a domestic mutual insurance
2 company from being subject to other laws of this state governing the
3 incorporation, organization, regulation, and operation of a
4 company or organization writing insurance in this state.

5 Sec. 883.003. APPLICABILITY OF TEXAS NON-PROFIT
6 CORPORATION ACT. Except to the extent of any conflict with this
7 code, the Texas Non-Profit Corporation Act (Article 1396-1.01 et
8 seq., Vernon's Texas Civil Statutes) applies to a domestic mutual
9 insurance company. The commissioner has each power and duty of, and
10 shall perform each act to be performed by, the secretary of state
11 under that Act with respect to mutual insurance companies.

12 ~~SUBCHAPTER B. FORMATION, STRUCTURE, AND MANAGEMENT OF COMPANY~~

13 ~~Sec. 883.051. FORMATION OF COMPANY. (a) Twenty or more~~
14 ~~persons, a majority of whom are residents of this state, may~~
15 ~~incorporate in accordance with this chapter to engage in the~~
16 ~~business of mutual insurance as provided by this chapter.~~

17 ~~(b) To form a mutual insurance company, each incorporator~~
18 ~~must sign and acknowledge the articles of incorporation of the~~
19 ~~company.~~

20 ~~(c) The incorporators of a proposed mutual insurance~~
21 ~~company are subject to Sections 822.001, 822.051,~~
22 ~~822.057(a)(1)-(3), (b), and (c), 822.058(a), 822.059, 822.060, and~~
23 ~~822.201, except that:~~

24 ~~(1) the minimum number of persons required to adopt~~
25 ~~and sign the proposed company's articles of incorporation under~~
26 ~~Section 822.051 is equal to the number of the proposed company's~~
27 ~~incorporators as provided by Subsection (a); and~~

1 ~~(2) the unencumbered surplus of the mutual insurance~~
2 ~~company is capital structure for purposes of Section 822.201.~~

3 ~~Sec. 883.052. ARTICLES OF INCORPORATION. Articles of~~
4 ~~incorporation of a proposed mutual insurance company must specify:~~

5 ~~(1) the name of the company;~~

6 ~~(2) the purpose for which the company is being formed;~~

7 ~~(3) the location of the company's principal or home~~
8 ~~office;~~

9 ~~(4) the name and place of residence of each~~
10 ~~incorporator; and~~

11 ~~(5) the name and address of each member of the initial~~
12 ~~board of directors.~~

13 ~~Sec. 883.053. COMPANY'S NAME. (a) The name of a mutual~~
14 ~~insurance company must contain the word "mutual."~~

15 ~~(b) A mutual insurance company's name may not be so similar~~
16 ~~to the name of any other mutual insurance company organized or~~
17 ~~engaging in business in the United States, that it is confusing or~~
18 ~~misleading.~~

19 ~~Sec. 883.054. LOCATION OF PRINCIPAL OR HOME OFFICE. The~~
20 ~~principal or home office of a mutual insurance company must be~~
21 ~~located in this state.~~

22 ~~Sec. 883.055. BEGINNING OF CORPORATE EXISTENCE. The~~
23 ~~corporate existence of a mutual insurance company begins on the~~
24 ~~date on which the commissioner issues a certificate of authority to~~
25 ~~the company.~~

26 ~~Sec. 883.056. BOARD OF DIRECTORS. (a) The board of~~
27 ~~directors named in a mutual insurance company's articles of~~

1 ~~incorporation shall manage the company until the initial meeting of~~
2 ~~the members of the company.~~

3 ~~(b) After a mutual insurance company is issued a certificate~~
4 ~~of authority, the company's board of directors may:~~

5 ~~(1) adopt bylaws;~~

6 ~~(2) accept applications for insurance; and~~

7 ~~(3) transact the business of the company.~~

8 ~~Sec. 883.057. MEMBERSHIP OF PUBLIC OR PRIVATE ENTITIES IN~~
9 ~~COMPANY AUTHORIZED. (a) Any public or private corporation, board,~~
10 ~~association, or estate may make an application for, enter into an~~
11 ~~agreement for, or hold a policy in a mutual insurance company. An~~
12 ~~officer, shareholder, trustee, or legal representative may act on~~
13 ~~behalf of the entity for that participation.~~

14 ~~(b) An officer, shareholder, trustee, or legal~~
15 ~~representative of a public or private entity described by~~
16 ~~Subsection (a) may not be held personally liable on a contract of~~
17 ~~insurance executed by the person in the person's capacity as a~~
18 ~~representative of the entity under Subsection (a).~~

19 ~~(c) The right of a corporation organized under the laws of~~
20 ~~this state to participate as a member of a mutual insurance company~~
21 ~~is:~~

22 ~~(1) incidental to the purpose for which the~~
23 ~~corporation was organized; and~~

24 ~~(2) in addition to the corporate rights or powers~~
25 ~~expressly conferred in the corporation's articles of~~
26 ~~incorporation.~~

27 ~~Sec. 883.058. MEMBERSHIP VOTES. Each member of a mutual~~

1 ~~insurance company is entitled to one vote on each matter submitted~~
2 ~~to a vote unless a different number of votes is authorized by the~~
3 ~~company's bylaws based on:~~

4 ~~(1) the insurance in force;~~

5 ~~(2) the number of policies held by the member; or~~

6 ~~(3) the amount of the premium paid by the member.~~

7 ~~SUBCHAPTER C. AUTHORITY TO ENGAGE IN BUSINESS IN THIS STATE~~

8 ~~Sec. 883.101. MUTUAL INSURANCE BUSINESS. Mutual insurance~~
9 ~~of any kind may not be written in this state except as authorized by~~
10 ~~this chapter or any other law.~~

11 ~~Sec. 883.102. CHARTER AND CERTIFICATE OF AUTHORITY~~
12 ~~REQUIRED. A domestic mutual insurance company may not engage in the~~
13 ~~business of insurance until:~~

14 ~~(1) the company obtains a charter as provided by~~
15 ~~Chapter 822; and~~

16 ~~(2) the commissioner issues to the company a~~
17 ~~certificate of authority for that purpose.~~

18 ~~Sec. 883.103. AUTHORIZATION OF FOREIGN MUTUAL INSURANCE~~
19 ~~COMPANY TO ENGAGE IN BUSINESS. (a) The department shall authorize~~
20 ~~a foreign mutual insurance company to write the kinds of insurance~~
21 ~~authorized by the company's charter or articles of incorporation in~~
22 ~~this state if the company:~~

23 ~~(1) is solvent as determined under this chapter;~~

24 ~~(2) files with the department:~~

25 ~~(A) a copy of the company's bylaws certified by~~
26 ~~the company's secretary; and~~

27 ~~(B) a certified copy of the company's charter or~~

1 ~~articles of incorporation;~~

2 ~~(3) appoints the commissioner as the company's agent~~
3 ~~for service of process as provided by Chapter 804;~~

4 ~~(4) files a financial statement under oath in a form as~~
5 ~~required by the department; and~~

6 ~~(5) complies with legal requirements applicable to the~~
7 ~~filing of documents and the furnishing of information by a stock~~
8 ~~insurance company that files an application with the department for~~
9 ~~authority to transact the same kind of insurance as the company.~~

10 ~~(b) A foreign mutual insurance company's name may not be so~~
11 ~~similar to a name of a mutual insurance company or foreign mutual~~
12 ~~insurance company organized or authorized to engage in business in~~
13 ~~this state that it is confusing or misleading.~~

14 ~~(c) A foreign mutual insurance company authorized to engage~~
15 ~~in the business of insurance under this section has, to the same~~
16 ~~extent, all of the powers granted to and privileges of a mutual~~
17 ~~insurance company organized and operating under this chapter.~~

18 SUBCHAPTER B ~~D~~. POWERS, DUTIES, AND OPERATION OF COMPANY

19 Sec. 883.004~~152~~. PRIOR AUTHORITY NOT AFFECTED. This
20 chapter does not affect any authority that existed before September
21 6, 1955, that allowed mutual insurance companies to write
22 non-assessable policies in this state, subject to any prerequisite
23 imposed by law on that authority.

24 Sec. 883.005~~153~~. POLICY RATES. A mutual insurance company
25 operating under this chapter shall charge the insurance rates
26 prescribed by the commissioner and is subject to the same rate
27 requirements as a domestic insurance company.

1 Sec. 883.006~~154~~. MAXIMUM PREMIUMS. (a) The maximum premium
2 of an insurance policy issued by a domestic mutual insurance
3 company must be stated in the policy.

4 (b) A policy's maximum premium may consist only of:

5 (1) a cash premium; or

6 (2) a cash premium and a contingent premium in an
7 amount equal to one additional cash premium.

8 Sec. 883.007~~155~~. ISSUANCE OF POLICY FOR CASH PREMIUM ONLY.

9 (a) A domestic mutual insurance company may not issue an insurance
10 policy for a cash premium only unless:

11 (1) the company possesses surplus above all
12 liabilities in an amount at least equal to the minimum capital and
13 surplus required of a stock insurance company engaging in the same
14 kinds of insurance;

15 (2) the company files with the department:

16 (A) an application for the issuance of this type
17 of policy; and

18 (B) a certified copy of the resolution of the
19 company's board of directors authorizing the issuance; and

20 (3) the commissioner approves the documents filed
21 under Subdivision (2).

22 (b) A mutual insurance company that issues a policy for a
23 cash premium only may waive all contingent premiums in any
24 outstanding policies.

25 (c) A foreign mutual insurance company authorized to engage
26 in the business of insurance in this state may issue an insurance
27 policy for a cash premium only and may waive contingent premiums on

1 any of its outstanding policies in the same manner and subject to
2 the same requirements as a mutual insurance company under this
3 section that is engaged in the same kinds of insurance.

4 Sec. 883.~~008156~~. ASSESSMENT ON POLICYHOLDERS. (a) A
5 policyholder is not liable for an assessment imposed on a policy
6 issued by a mutual insurance company with approval of the
7 commissioner under Section 883.155(a).

8 (b) An assessment may not be imposed on the holder of a
9 policy described by Section 883.155(a) by:

10 (1) the officers or directors of a mutual insurance
11 company;

12 (2) the department;

13 (3) a receiver; or

14 (4) a liquidator.

15 Sec. 883.~~009157~~. REINSURANCE OF POLICY. (a) Subject to
16 Subsection (c), a mutual insurance company authorized to engage in
17 the business of insurance in this state may enter into an agreement
18 with an insurer to cede to or accept from the insurer all or part of
19 an insurance risk.

20 (b) A reinsurance agreement under this section does not
21 create or confer contingent liability, participation, or
22 membership unless otherwise provided by the agreement.

23 (c) A mutual insurance company may not enter into an
24 agreement with a reinsurer that has been disapproved for that
25 purpose by written order of the commissioner filed in the
26 department's offices.

27 Sec. 883.~~010158~~. REQUIREMENTS FOR COMPANIES WRITING BONDS.

1 A mutual insurance company qualifying to write bonds under this
2 chapter is subject to the same legal requirements as any other
3 insurance company writing bonds under this chapter.

4 Sec. 883.~~011159~~. NECESSARY OR INCIDENTAL POWERS. A
5 domestic mutual insurance company has such powers as are necessary
6 or incidental to the transaction of its business.

7 Sec. 883.~~012160~~. RIGHTS AND PRIVILEGES OF CERTAIN COMPANIES
8 RETAINED. A mutual insurance company engaged in business under
9 Chapters 5, 9, 12, 13, 14, and 15, Title 78, Revised Statutes,
10 before their repeal by Section 18, Chapter 40, Acts of the 41st
11 Legislature, 1st Called Session, 1929, as amended by Section 1,
12 Chapter 60, Acts of the 41st Legislature, 2nd Called Session, 1929,
13 retains the rights and privileges under the repealed law to the
14 extent provided by those sections.

15 Sec. 883.~~013161~~. DIVIDENDS. On advance approval of the
16 commissioner, a mutual insurance company may pay dividends to its
17 members.

18 Sec. 883.~~014162~~. LOANS TO COMPANY. (a) A person, including
19 a director, officer, or member of a mutual insurance company, may
20 loan to the company money necessary:

21 (1) for the company to engage in the company's
22 business; or

23 (2) to enable the company to comply with a legal
24 requirement.

25 (b) The mutual insurance company may repay a loan and agreed
26 interest, at an annual rate not to exceed 20 percent, only from the
27 surplus remaining after the company provides for the company's

1 reserves, other liabilities, and required surplus.

2 (c) A loan under this section or interest on a loan is not
3 otherwise a liability or claim against the company or any of its
4 assets.

5 (d) A mutual insurance company may not pay a commission or
6 promotion expense in connection with a loan made to the company.

7 (e) A mutual insurance company shall report in its annual
8 statement the amount of each loan made to the company.

9 Sec. 883.015~~163~~. IMMEDIATE NOTIFICATION WHEN ASSETS ARE
10 INSUFFICIENT; EXAMINATION. The president and the secretary of a
11 mutual insurance company shall immediately notify the commissioner
12 any time the admitted assets of the company are less than the
13 largest single risk for which the company is liable. The
14 commissioner may make an examination into the affairs of the
15 company as the commissioner considers best.

16 SUBCHAPTER ~~C~~E. REGULATION OF COMPANY

17 ~~Sec. 883.201. SURPLUS REQUIREMENTS. A domestic mutual~~
18 ~~insurance company must possess a surplus over and above all~~
19 ~~liabilities in an amount equal to the minimum capital stock and~~
20 ~~surplus required of a stock insurance company engaged in the same~~
21 ~~kinds of insurance.~~

22 ~~Sec. 883.202. REQUIRED DEPOSIT FOR COMPANIES WRITING BONDS.~~

23 ~~(a) A domestic mutual insurance company that writes fidelity and~~
24 ~~surety bond coverage shall maintain on deposit with the comptroller~~
25 ~~cash or securities of the kind described by a provision of~~
26 ~~Subchapter B, Chapter 424, other than Section 424.052, 424.072, or~~
27 ~~424.073, in an amount equal to the amount of cash or securities~~

1 ~~required of a domestic stock insurance company.~~

2 ~~(b) The commissioner must approve for deposit the cash or~~
3 ~~securities required by this section.~~

4 Sec. 883.016~~203~~. RESERVES. (a) A domestic mutual
5 insurance company shall maintain unearned premiums and other
6 reserves separately for each kind of insurance. The reserves must
7 be maintained on the same basis as those reserves are required to be
8 maintained by a domestic stock insurance company engaging in the
9 same kinds of insurance.

10 (b) A mutual insurance company operating under this chapter
11 is subject to the same reserve requirements as a domestic insurance
12 company under law.

13 ~~Sec. 883.204. ANNUAL REPORT. (a) Domestic and foreign~~
14 ~~mutual insurance companies organized or operating under this~~
15 ~~chapter shall submit to the commissioner an annual report in the~~
16 ~~form required by the commissioner.~~

17 ~~(b) To the extent practicable, the commissioner shall adopt~~
18 ~~a form that is similar to a form that is generally used for~~
19 ~~submission of the annual report throughout the United States.~~

20 Sec. 883.017~~205~~. EXAMINATION OF FOREIGN MUTUAL INSURANCE
21 COMPANY. To the extent practicable, an examination of a foreign
22 mutual insurance company must be conducted in cooperation with the
23 insurance departments of other states in which the foreign company
24 is authorized to transact business.

25 Sec. 883.018~~206~~. FEES. Each domestic or foreign mutual
26 insurance company organized or operating under this chapter is
27 subject to a fee imposed by law on a stock insurance company

1 engaging in the same kinds of insurance.

2 Sec. 883.019207. PREMIUM TAX. Each domestic or foreign
3 mutual insurance company organized or operating under this chapter
4 is subject to taxes imposed by law on that company. The company
5 shall pay the tax on the gross premiums received for direct
6 insurance written on property or risks located in this state. The
7 tax payable must be computed on the portion of the gross premiums
8 remaining after deducting:

- 9 (1) premiums charged on policies not taken;
10 (2) premiums returned on canceled policies; and
11 (3) any refund or other return made to the
12 policyholders other than for the incurrence of a loss.

13 ~~SUBCHAPTER O. CRIMINAL PENALTIES~~

14 ~~Sec. 883.701. VIOLATION OF CHAPTER. (a) Except as~~
15 ~~otherwise provided by this subchapter, a person or corporation~~
16 ~~commits an offense if the person or corporation violates this~~
17 ~~chapter.~~

18 ~~(b) An offense under this section is a misdemeanor~~
19 ~~punishable by a fine of not less than \$50 or more than \$500.~~

20 ~~Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.~~

21 ~~Sec. 883.702. FAILURE TO REPORT CONDITION. (a) A person~~
22 ~~commits an offense if the person is a president or secretary~~
23 ~~described by Section 883.163 and the person fails to make the report~~
24 ~~required by that section.~~

25 ~~(b) An offense under this section is a misdemeanor~~
26 ~~punishable by a fine of not less than \$100 or more than \$500.~~

27 ~~Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.~~

1 ~~Sec. 883.703. FALSE STATEMENT OR MISAPPROPRIATION. (a) A~~
2 ~~person commits an offense if the person intentionally submits a~~
3 ~~false statement or misappropriates the funds of a mutual insurance~~
4 ~~company organized under the laws providing for the incorporation of~~
5 ~~mutual fire, lightning, hail, and storm insurance companies.~~

6 ~~(b) An offense under this section is a felony punishable by~~
7 ~~confinement in the Texas Department of Criminal Justice for not~~
8 ~~less than 5 years or more than 10 years.~~

9 ~~Sec. 883.704. UNAUTHORIZED MUTUAL FIRE INSURANCE. (a) A~~
10 ~~person commits an offense if the person engages in the business of~~
11 ~~mutual fire insurance in this state in violation of the laws~~
12 ~~regulating mutual fire insurance.~~

13 ~~(b) An offense under this section is a misdemeanor~~
14 ~~punishable by a fine of not less than \$50 or more than \$500.~~

15 SECTION 8. Title 6, Chapter 982, is amended to read as
16 follows:

17 SUBCHAPTER A. GENERAL PROVISIONS

18 Sec. 982.001. DEFINITIONS. In this chapter:

19 (1) "Accident insurance company," "health insurance
20 company," "life insurance company," and "United States branch" have
21 the meanings assigned by Section 841.001.

22 (2) "Alien insurance company" means an insurance
23 company organized under the laws of a foreign country. The term
24 includes an unincorporated insurance company (other than an
25 unincorporated life insurance company, accident insurance company,
26 life and accident insurance company, health and accident insurance
27 company, or life, health, and accident insurance company) that is

1 organized under the laws of a foreign country in a form recognized
2 by the department.

3 (3) "Domestic insurance company" has, in the context
4 of a life insurance company, accident insurance company, life and
5 accident insurance company, health and accident insurance company,
6 or life, health, and accident insurance company, the meaning
7 assigned by Section 841.001.

8 (4) "Foreign insurance company" means an insurance
9 company organized under the laws of another state of the United
10 States.

11 (5) "Insurance company" means a company engaged as a
12 principal in the business of insurance.

13 (6) "Policyholder" has, in the context of a life
14 insurance company, accident insurance company, life and accident
15 insurance company, health and accident insurance company, or life,
16 health, and accident insurance company, the meaning assigned by
17 Section 841.001.

18 (7) "Trusteed asset" means an asset that an authorized
19 alien insurance company is required or permitted by this chapter to
20 deposit with one or more trustees for the security of the company's
21 policyholders in the United States.

22 Sec. 982.002. APPLICABILITY OF CHAPTER. This chapter
23 applies to any insurance company that is organized under the laws of
24 another state or country and that wants to engage in or is engaging
25 in the business of insurance in this state.

26 Sec. 982.003. LIFE INSURANCE COMPANIES WANTING TO LOAN
27 MONEY. A life insurance company that wants to loan money in this

1 state but does not want to engage in the business of life insurance
2 in this state may obtain from the secretary of state a permit to
3 loan money by complying with the laws of this state relating to
4 foreign corporations engaged in loaning money in this state without
5 having to obtain a certificate of authority to engage in the
6 business of life insurance in this state.

7 ~~Sec. 982.004. FINANCIAL STATEMENTS OF FOREIGN OR ALIEN~~
8 ~~INSURANCE COMPANIES. (a) Each foreign insurance company shall~~
9 ~~file with the department a statement in the form required by Section~~
10 ~~982.101 or 982.102 not later than March 1 of each year.~~

11 ~~(b) Each authorized alien insurance company shall file with~~
12 ~~the department a financial statement in the form required by~~
13 ~~Section 982.252 not later than March 1 of each year.~~

14 ~~SUBCHAPTER B. AUTHORITY TO ENGAGE IN BUSINESS~~

15 ~~Sec. 982.051. CERTIFICATE OF AUTHORITY REQUIRED FOR LIFE,~~
16 ~~HEALTH, OR ACCIDENT COMPANIES. A foreign insurance company may not~~
17 ~~engage in the business of insurance as a life insurance company,~~
18 ~~accident insurance company, life and accident insurance company,~~
19 ~~health and accident insurance company, or life, health, and~~
20 ~~accident insurance company in this state, except for the lending of~~
21 ~~money, without first obtaining from the department a certificate of~~
22 ~~authority that:~~

23 ~~(1) shows that the foreign insurance company has fully~~
24 ~~complied with the laws of this state, and~~

25 ~~(2) authorizes the foreign insurance company to engage~~
26 ~~in the business of insurance in this state.~~

27 ~~Sec. 982.052. CERTIFICATE OF AUTHORITY REQUIRED FOR OTHER~~

1 ~~COMPANIES. Except as provided by Chapter 101 or 981, a foreign or~~
2 ~~alien insurance company, other than a life insurance company,~~
3 ~~accident insurance company, life and accident insurance company, or~~
4 ~~life, health, and accident insurance company, may not engage in~~
5 ~~this state in the business of insuring others against losses~~
6 ~~without first obtaining from the department a certificate of~~
7 ~~authority that authorizes the company to engage in that business.~~

8 ~~SUBCHAPTER C. REQUIREMENTS FOR CERTIFICATE OF AUTHORITY~~

9 ~~Sec. 982.101. FILING OF FINANCIAL STATEMENT BY LIFE,~~
10 ~~HEALTH, OR ACCIDENT INSURANCE COMPANY. A foreign or alien life~~
11 ~~insurance company, accident insurance company, life and accident~~
12 ~~insurance company, health and accident insurance company, or life,~~
13 ~~health, and accident insurance company that wants to engage in the~~
14 ~~business of insurance in this state shall provide to the department~~
15 ~~a written or printed statement, under the oath of the president or~~
16 ~~vice president or under the oath of the treasurer and secretary of~~
17 ~~the company, that shows:~~

- 18 ~~(1) the company's name and location,~~
19 ~~(2) the amount of the company's capital stock,~~
20 ~~(3) the amount of the company's paid up capital stock,~~
21 ~~(4) the company's assets, including in the following~~

22 ~~order:~~

- 23 ~~(A) the amount of cash on hand,~~
24 ~~(B) the amount of cash held by other persons and~~
25 ~~the names and residences of those persons,~~

- 26 ~~(C) unencumbered real estate, its location, and~~
27 ~~its value,~~

1 ~~(D) bonds the company owns, the manner in which~~
2 ~~the bonds are secured, and the rate of interest on the bonds;~~

3 ~~(E) debts due the company that are secured by~~
4 ~~mortgage, a description of the mortgaged property, and the~~
5 ~~property's market value;~~

6 ~~(F) debts due the company that are secured other~~
7 ~~than by mortgage and a statement of how they are secured;~~

8 ~~(G) debts due the company for premiums; and~~

9 ~~(H) all other money and securities;~~

10 ~~(5) the amount of the company's liabilities and the~~
11 ~~name of the person or corporation to whom each liability is owed;~~

12 ~~(6) losses adjusted and due;~~

13 ~~(7) losses adjusted and not due;~~

14 ~~(8) losses adjusted;~~

15 ~~(9) losses in suspense and the reason for the~~
16 ~~suspension;~~

17 ~~(10) all other claims against the company and a~~
18 ~~description of each claim; and~~

19 ~~(11) any additional facts required by the department~~
20 ~~to be shown.~~

21 ~~Sec. 982.102. FILING OF FINANCIAL STATEMENT BY OTHER~~
22 ~~INSURANCE COMPANY; EXAMINATION. (a) This section applies only to~~
23 ~~a foreign or alien insurance company, other than a life insurance~~
24 ~~company, accident insurance company, life and accident insurance~~
25 ~~company, health and accident insurance company, or life, health,~~
26 ~~and accident insurance company.~~

27 ~~(b) A foreign or alien insurance company that wants to~~

1 ~~engage in the business of insurance in this state shall provide to~~
2 ~~the department copies of its annual financial statements for the~~
3 ~~two most recent years. The copies must be certified by the~~
4 ~~commissioner or other insurance supervising official of the state~~
5 ~~or country in which the company is organized and incorporated. The~~
6 ~~department may require that the statement show additional facts as~~
7 ~~requested by the department.~~

8 ~~(c) Before approving or denying the application of a foreign~~
9 ~~or alien insurance company for a certificate of authority to engage~~
10 ~~in the business of insurance in this state, the commissioner shall:~~

11 ~~(1) examine the company, at the company's expense, at~~
12 ~~its principal office in the United States; or~~

13 ~~(2) accept a report of an examination made by the~~
14 ~~insurance department or other insurance supervisory official of~~
15 ~~another state or government of a foreign country.~~

16 ~~(d) On the applicant's request, the commissioner shall hold~~
17 ~~a hearing on a denial. Not later than the 30th day after the date~~
18 ~~of the applicant's request for a hearing, the commissioner shall~~
19 ~~request a hearing date.~~

20 ~~Sec. 982.103. FILING OF FINANCIAL STATEMENT BY ALIEN~~
21 ~~INSURANCE COMPANY. An alien insurance company that wants to engage~~
22 ~~in the business of insurance in this state shall file a financial~~
23 ~~statement as provided by Section 982.252.~~

24 ~~Sec. 982.104. FILING OF ARTICLES OF INCORPORATION. (a) A~~
25 ~~foreign or alien insurance company shall file with the statement~~
26 ~~required by Section 982.101 or 982.102:~~

27 ~~(1) a copy of the company's acts or articles of~~

1 ~~incorporation and any amendments to those acts or articles; and~~

2 ~~(2) a copy of the company's bylaws and a statement of~~
3 ~~the name and residence of each of the company's officers and~~
4 ~~directors.~~

5 ~~(b) The president or the secretary of the company shall~~
6 ~~certify the documents filed under Subsection (a).~~

7 ~~Sec. 982.105. CAPITAL STOCK AND SURPLUS REQUIREMENTS FOR~~
8 ~~LIFE, HEALTH, OR ACCIDENT INSURANCE COMPANIES. (a) A foreign or~~
9 ~~alien life insurance company, accident insurance company, life and~~
10 ~~accident insurance company, health and accident insurance company,~~
11 ~~or life, health, and accident insurance company is subject to~~
12 ~~Sections 841.054, 841.201, 841.204, 841.205, 841.207, 841.301, and~~
13 ~~841.302. The department may not issue a certificate of authority to~~
14 ~~a foreign or alien stock insurance company, and the company may not~~
15 ~~engage in any business of life, health, or accident insurance in~~
16 ~~this state, unless the company possesses at least the minimum~~
17 ~~capital and surplus required for a similar domestic insurance~~
18 ~~company organized under Chapter 841 in similar circumstances. The~~
19 ~~minimum capital and surplus must be invested in the same character~~
20 ~~of investments as required for a domestic insurance company.~~

21 ~~(b) The department may not issue a certificate of authority~~
22 ~~to a foreign or alien mutual insurance company, and the company may~~
23 ~~not engage in the business of life insurance in this state, unless~~
24 ~~the company possesses at least the minimum unencumbered surplus~~
25 ~~required by Chapter 882 for a similar domestic company in similar~~
26 ~~circumstances. The minimum unencumbered surplus must be invested~~
27 ~~in the same character of investments as required for a domestic~~

1 ~~insurance company.~~

2 ~~Sec. 982.106. CAPITAL STOCK AND SURPLUS REQUIREMENTS FOR~~
3 ~~OTHER INSURANCE COMPANIES. (a) This section applies only to a~~
4 ~~foreign or alien insurance company other than a life insurance~~
5 ~~company, accident insurance company, life and accident insurance~~
6 ~~company, health and accident insurance company, or life, health,~~
7 ~~and accident insurance company.~~

8 ~~(b) A foreign or alien insurance company is subject to~~
9 ~~Sections 822.203, 822.205, 822.210, and 822.212. The department~~
10 ~~may not authorize a foreign or alien insurance company to engage in~~
11 ~~the business of insurance in this state unless the company has and~~
12 ~~maintains the minimum capital and surplus amounts as required by~~
13 ~~this code for companies organized under this code and engaging in~~
14 ~~the same kinds of business.~~

15 ~~(c) The department may not deny authorization for a foreign~~
16 ~~or alien insurance company to engage in the business of insurance in~~
17 ~~this state because all of the company's capital stock has not been~~
18 ~~fully subscribed and paid for, if:~~

19 ~~(1) at least the minimum dollar amount of capital~~
20 ~~stock of the company required by the laws of this state, which may~~
21 ~~be less than all of the company's authorized capital stock, has been~~
22 ~~subscribed and paid for, and~~

23 ~~(2) the company:~~

24 ~~(A) has at least the minimum dollar amount of~~
25 ~~surplus required by the laws of this state for the kinds of business~~
26 ~~the company seeks to write, and~~

27 ~~(B) has fully complied with the laws of the~~

1 ~~company's domiciliary state or country relating to authorization~~
2 ~~and issuance of capital stock.~~

3 Sec. 982.107. APPLICABILITY OF OTHER LAW. Chapter 402
4 applies to a foreign or alien insurance company.

5 Sec. 982.108. DEPOSIT REQUIREMENTS FOR ALIEN INSURANCE
6 COMPANY. An alien insurance company may not engage in the business
7 of insurance in this state without first depositing with the
8 comptroller, for the benefit of the company's policyholders who are
9 citizens or residents of the United States, bonds or securities of
10 the United States or this state in an amount at least equal to:

11 (1) the minimum capital required to be maintained by a
12 domestic stock insurer authorized to engage in the same kind of
13 insurance; or

14 (2) one-half the minimum unencumbered surplus
15 required to be maintained by a domestic mutual insurer authorized
16 to engage in the same kind of insurance.

17 Sec. 982.109. DURATION OF DEPOSIT BY LIFE, HEALTH, OR
18 ACCIDENT INSURANCE COMPANIES. An alien life insurance company,
19 accident insurance company, life and accident insurance company,
20 health and accident insurance company, or life, health, and
21 accident insurance company shall maintain the deposit required by
22 Section 982.108 for the period that the company has any outstanding
23 liability arising from its insurance transactions in the United
24 States. The deposit is liable to pay the judgments, as decreed by
25 courts, of the company's policyholders in the United States.

26 Sec. 982.110. DURATION OF DEPOSIT FOR OTHER INSURANCE
27 COMPANIES. An alien insurance company, other than an alien life

1 insurance company, accident insurance company, life and accident
2 insurance company, health and accident insurance company, or life,
3 health, and accident insurance company, shall maintain the deposit
4 required by Section 982.108 for the period that the company has any
5 outstanding liability arising from its insurance transactions in
6 the United States. The deposit is for the exclusive benefit,
7 security, and protection of the company's policyholders in the
8 United States.

9 Sec. 982.111. EXCEPTION TO DEPOSIT REQUIREMENT: TRUSTEED
10 ASSETS. (a) On approval by the commissioner as provided by
11 Subchapter D, instead of making the deposit with the comptroller
12 under Section 982.108, an authorized alien insurance company may
13 deposit bonds or securities of the United States or this state with
14 a trustee or trustees for the security of the company's
15 policyholders in the United States.

16 (b) An alien insurance company shall maintain the deposit
17 permitted by Subsection (a) as provided by Subchapter D.

18 Sec. 982.112. EXCEPTION TO DEPOSIT REQUIREMENT: DEPOSIT
19 WITH OFFICER IN ANOTHER STATE. (a) The deposit required under
20 Section 982.108 is not required in this state if the deposit
21 required by that section has been made in any state of the United
22 States, under the laws of that state, in a manner that secures
23 equally the policyholders of the company who are citizens and
24 residents of the United States.

25 (b) An alien insurance company that desires to meet the
26 requirements of Section 982.108 as provided by Subsection (a) shall
27 file with the department a certificate of the deposit. The

1 certificate must be signed by and under the seal of the officer of
2 the state with whom the deposit was made.

3 ~~Sec. 982.113. ISSUANCE OF CERTIFICATE OF AUTHORITY TO LIFE,~~
4 ~~HEALTH, OR ACCIDENT INSURANCE COMPANY. (a) The commissioner shall~~
5 ~~file in the commissioner's office the documents delivered to the~~
6 ~~department under this subchapter and shall approve or deny an~~
7 ~~application for a certificate of authority.~~

8 ~~(b) The commissioner shall issue to a foreign or alien life~~
9 ~~insurance company, accident insurance company, life and accident~~
10 ~~insurance company, health and accident insurance company, or life,~~
11 ~~health, and accident insurance company a certificate of authority~~
12 ~~to engage in this state in the kind of business specified in the~~
13 ~~documents if:~~

14 ~~(1) the company has complied with the requirements of~~
15 ~~this chapter and any other requirement imposed on the company by~~
16 ~~law; and~~

17 ~~(2) the company's operational history demonstrates~~
18 ~~that the expanded operation of the company in this state or its~~
19 ~~operations outside this state will not create a condition that~~
20 ~~might be hazardous to the company's policyholders or creditors or~~
21 ~~to the public.~~

22 ~~(c) The operational history of a life insurance company,~~
23 ~~accident insurance company, life and accident insurance company,~~
24 ~~health and accident insurance company, or life, health, and~~
25 ~~accident insurance company under Subsection (b)(2) must be reviewed~~
26 ~~in conjunction with:~~

27 ~~(1) the company's loss experience,~~

1 ~~(2) the kinds and nature of risks insured by the~~
2 ~~company;~~

3 ~~(3) the company's financial condition and its~~
4 ~~ownership;~~

5 ~~(4) the company's proposed method of operation;~~

6 ~~(5) the company's affiliations;~~

7 ~~(6) the company's investments;~~

8 ~~(7) the company's contracts, if any, leading to~~
9 ~~contingent liability or agreements in respect to guaranty and~~
10 ~~surety, other than insurance; and~~

11 ~~(8) the ratio of total annual premium and net~~
12 ~~investment income to commission expenses, general insurance~~
13 ~~expenses, policy benefits paid, and required policy reserve~~
14 ~~increases.~~

15 ~~(d) On the applicant's request, the commissioner shall hold~~
16 ~~a hearing on a denial. Not later than the 30th day after the date of~~
17 ~~the applicant's request for a hearing, the commissioner shall~~
18 ~~request a hearing date.~~

19 Sec. 982.114. PAYMENT OF TAX BY FOREIGN OR ALIEN LIFE
20 INSURANCE COMPANY. (a) A foreign or alien life insurance company
21 that obtains a certificate of authority under this subchapter on or
22 after April 2, 1909, accepts that certificate and agrees to engage
23 in the business of insurance in this state subject to a requirement
24 that, if the company ceases to transact new insurance business in
25 this state but continues to collect renewal premiums from residents
26 of this state, the company shall continue to pay an occupation tax
27 based on gross premiums for each year from residents of this state.

1 (b) The rate of the tax imposed by this section may not
2 exceed the rate imposed by law on insurance companies transacting
3 new insurance business in this state.

4 (c) The foreign or alien life insurance company shall pay
5 the tax and make reports relating to its gross premium receipts in
6 the same manner as a foreign or alien life insurance company that is
7 transacting new insurance business in this state.

8 (d) The foreign or alien life insurance company is subject
9 to examination by the department or by a department designee in the
10 same manner and to the same extent as a company that is transacting
11 new insurance business in this state.

12 SUBCHAPTER B ~~D~~. TRUSTEED ASSETS OF ALIEN INSURANCE COMPANIES

13 Sec. 982.201. DEED OF TRUST: GENERAL PROVISIONS. (a) A
14 deed of trust relating to the trustee assets of an authorized alien
15 insurance company and all amendments to the deed of trust are
16 effective only if approved by the commissioner.

17 (b) The deed of trust must contain provisions that:

18 (1) vest legal title to trustee assets in the trustee
19 or trustees and the trustees' lawfully appointed successors, in
20 trust for the security of the policyholders of the alien insurance
21 company in the United States;

22 (2) provide for substitution of a new trustee or
23 trustees, subject to the commissioner's approval, in the event of
24 vacancy by death, resignation, or other incapacity; and

25 (3) require that the trustee or trustees continuously
26 maintain a record sufficient to identify the trustee assets.

27 (c) The deed of trust may provide that income, earnings,

1 dividends, or interest accumulations of the trusteed assets may be
2 paid over to the United States manager of the alien insurance
3 company on request.

4 (d) The deed of trust and all amendments to the deed of trust
5 must be authenticated in the form and manner prescribed by the
6 commissioner.

7 Sec. 982.202. DEED OF TRUST: APPROVAL BY COMMISSIONER. (a)
8 The commissioner shall approve a deed of trust relating to the
9 trusteed assets of an alien insurance company if the commissioner
10 determines:

11 (1) the deed of trust or its amendments are sufficient
12 in form and conform with applicable law;

13 (2) the trustee or trustees are eligible to serve in
14 that capacity; and

15 (3) the deed of trust is adequate to protect the
16 interests of the beneficiaries of the trust.

17 (b) If, after notice and hearing, the commissioner
18 determines that a requisite for approval of a deed of trust under
19 Subsection (a) does not exist, the commissioner may withdraw
20 approval.

21 (c) The commissioner may approve a change in any deed of
22 trust that in the commissioner's judgment is in the best interests
23 of the policyholders of the alien insurance company in the United
24 States.

25 Sec. 982.203. LOCATION OF TRUSTEED ASSETS. (a) The
26 trusteed assets of an alien insurance company shall be kept
27 continuously in the United States.

1 (b) The trustee assets of an alien insurance company that
2 enters the United States through this state shall be kept
3 continuously in this state.

4 Sec. 982.204. WITHDRAWAL OF TRUSTEED ASSETS. (a) The deed
5 of trust relating to the trustee assets of an alien insurance
6 company must provide that the trustee or trustees may not make or
7 permit a withdrawal of assets, other than as specified by Section
8 982.201(c), without the commissioner's prior written approval
9 except to:

10 (1) make deposits required by law in any state for the
11 security or benefit of the policyholders of the company in the
12 United States;

13 (2) substitute other assets permitted by law and at
14 least equal in value to those withdrawn, subject to Subsection (b);
15 or

16 (3) transfer the assets to an official liquidator or
17 rehabilitator in accordance with an order of a court of competent
18 jurisdiction.

19 (b) A withdrawal under Subsection (a)(2) may be made only on
20 the specific written direction of the United States manager or an
21 assistant United States manager when authorized and acting under
22 general or specific written authority previously given or delegated
23 by the board of directors.

24 (c) On withdrawal of trustee assets deposited in another
25 state in which the alien insurance company is authorized to engage
26 in the business of insurance:

27 (1) the deed of trust may require similar written

1 approval of the insurance supervising official of that state
2 instead of the commissioner's approval as provided by Subsection
3 (a); and

4 (2) if approval under Subdivision (1) is required, the
5 company shall notify the commissioner in writing of the nature and
6 extent of the withdrawal.

7 SUBCHAPTER C ~~F~~. TRUSTEED SURPLUS OF ALIEN INSURANCE COMPANIES

8 Sec. 982.251. TRUSTEED SURPLUS OF ALIEN INSURANCE COMPANY.

9 The total value of an alien insurance company's general state
10 deposits and trustee assets less the total net amount of all the
11 company's liabilities and reserves in the United States, as
12 determined in accordance with Section 982.252, is the company's
13 trustee surplus in the United States.

14 ~~Sec. 982.252. FORM AND CONTENTS OF FINANCIAL STATEMENT OF~~
15 ~~ALIEN INSURANCE COMPANY. (a) A financial statement required to be~~
16 ~~filed by an alien insurance company under Section 982.004 must be on~~
17 ~~a form prescribed by the commissioner and must show, as of the~~
18 ~~preceding December 31:~~

19 ~~(1) the company's general deposits of assets in the~~
20 ~~United States deposited with officers of any state in trust for the~~
21 ~~exclusive benefit, security, and protection of the company's~~
22 ~~policyholders in the United States;~~

23 ~~(2) the company's special deposits of assets in the~~
24 ~~United States deposited with officers of any state in trust for the~~
25 ~~exclusive benefit, security, and protection of the company's~~
26 ~~policyholders in a particular state;~~

27 ~~(3) the company's trustee assets in the United States~~

1 ~~held for the exclusive benefit, security, and protection of the~~
2 ~~company's policyholders in the United States;~~

3 ~~(4) the company's reserves and other liabilities~~
4 ~~arising out of policies or obligations issued, assumed, or incurred~~
5 ~~in the United States; and~~

6 ~~(5) any further information as determined necessary to~~
7 ~~implement this section.~~

8 ~~(b) In addition to the requirements under Subsection (a), a~~
9 ~~financial statement filed by an alien life insurance company must~~
10 ~~show the amount of the company's policy loans to policyholders in~~
11 ~~the United States, not exceeding the amount of the legal reserve~~
12 ~~required on each policy.~~

13 ~~(c) In determining the net amount of an alien insurance~~
14 ~~company's liabilities in the United States, the company may deduct:~~

15 ~~(1) reinsurance on losses with insurers qualifying for~~
16 ~~credit, less unpaid reinsurance premiums, with a schedule showing~~
17 ~~by company the amount deducted; and~~

18 ~~(2) unearned premiums on agents' balances or~~
19 ~~uncollected premiums not more than 90 days past due.~~

20 ~~(d) Any liability on an asset not considered in the~~
21 ~~statement may be applied against that asset.~~

22 ~~(e) A special state deposit held for the exclusive benefit~~
23 ~~of policyholders of a particular state may be allowed as an offset~~
24 ~~against the alien insurance company's liabilities in that state~~
25 ~~only.~~

26 ~~(f) The statement may include accrued interest at the date~~
27 ~~of the statement on assets deposited with states and trustees if the~~

1 ~~interest is collected by the states or trustees.~~

2 ~~(g) The United States manager, attorney-in-fact, or~~
3 ~~authorized assistant United States manager of the alien insurance~~
4 ~~company shall sign and verify the statement. The United States~~
5 ~~trustee or trustees shall certify the items of securities and other~~
6 ~~property held under deeds of trust.~~

7 ~~(h) The commissioner may at any time and for any period~~
8 ~~determined necessary require additional statements of the kind~~
9 ~~required by this section.~~

10 Sec. 982.253. IMPAIRMENT OF TRUSTEED SURPLUS. (a) If the
11 commissioner determines from a statement filed under Chapter 802
12 ~~Section 982.252~~ or any report that an alien insurance company's
13 trustee surplus is less than the greater of the minimum capital
14 required of, or the minimum surplus required to be maintained by, a
15 domestic insurance company authorized to engage in the same kinds
16 of insurance, the commissioner shall:

17 (1) determine the amount of the impairment; and

18 (2) order the company, through its United States
19 manager or attorney, to eliminate the impairment within the period
20 designated by the commissioner.

21 (b) The period for eliminating an impairment under
22 Subsection (a) must end not later than the 90th day after the date
23 the order is served.

24 (c) The commissioner may also by order revoke or suspend an
25 alien insurance company's certificate of authority or prohibit the
26 company from issuing new policies in the United States while an
27 impairment under Subsection (a) exists.

1 Sec. 982.254. FAILURE TO ELIMINATE IMPAIRMENT OF TRUSTEED
2 SURPLUS. If an alien insurance company has not satisfied the
3 commissioner at the end of the designated period under Section
4 982.253(a) that the impairment has been eliminated, the
5 commissioner may proceed against the company as provided by Chapter
6 441 as an insurance company whose further transaction of the
7 business of insurance in the United States will be hazardous to its
8 policyholders in the United States.

9 Sec. 982.255. EXAMINATION OF ALIEN INSURANCE COMPANY. (a)
10 The books, records, accounting, and verification relating to an
11 authorized alien insurance company's trustee assets are subject to
12 examination by the department or the department's appointed
13 representative at the United States branch office of the company,
14 in the same manner and to the same extent that applies under
15 Subchapter A, Chapter 86, and Sections 401.051, 401.052,
16 401.054-401.062, 401.151, 401.152, 401.155, and 401.156 to
17 domestic and foreign insurance companies authorized to engage in
18 the same kind of insurance.

19 (b) The books, records, and accounting for trustee assets
20 of an alien insurance company that enters the United States through
21 this state shall be maintained in English in the company's branch
22 office in this state.

23 SUBCHAPTER D. PROVISIONS APPLICABLE TO CERTAIN COMPANIES

24 Sec. 982.301. APPLICABILITY OF SUBCHAPTER. This subchapter
25 applies only to a foreign or alien insurance company that is not a
26 life insurance company, accident insurance company, life and
27 accident insurance company, health and accident insurance company,

1 or life, health, and accident insurance company.

2 Sec. 982.302. REINSURANCE NOT PROHIBITED. This chapter
3 does not prohibit a foreign insurance company from:

4 (1) reinsuring a domestic insurance company; or

5 (2) locating in this state, if the company does not
6 directly insure persons domiciled in this state or insure against
7 risks located in this state.

8 Sec. 982.303. TEXAS LAW ACCEPTED. A foreign or alien
9 insurance company that issues a contract or policy in this state is
10 considered to have agreed to comply with this code as a prerequisite
11 to engaging in the business of insurance in this state.

12 ~~Sec. 982.304. SAME OR DECEPTIVELY SIMILAR NAME. A foreign~~
13 ~~or alien insurance company may not be denied permission to engage in~~
14 ~~the business of insurance in this state because the name of the~~
15 ~~company is the same as or deceptively similar to the name of a~~
16 ~~domestic corporation existing under the laws of this state or of~~
17 ~~another foreign or alien insurance company authorized to engage in~~
18 ~~the business of insurance in this state if the company desiring to~~
19 ~~engage in the business of insurance in this state:~~

20 ~~(1) files with the department and with any county~~
21 ~~clerk as provided by Subchapter B or C, Chapter 71, Business &~~
22 ~~Commerce Code, an assumed name certificate stating a name permitted~~
23 ~~under the laws of this state; and~~

24 ~~(2) does not engage in any business in this state~~
25 ~~except under the assumed name.~~

26 Sec. 982.305. LIMITATION ON ACTIONS IN OTHER STATE COURTS.
27 An action involving a contract entered into in this state between a

1 foreign or alien insurance company and a resident of this state may
2 not be brought in or transferred to a court in another state without
3 the consent of the resident of this state.

4 ~~Sec. 982.306. DEPOSIT FOR FOREIGN CASUALTY COMPANY NOT~~
5 ~~REQUIRED. (a) The department may not require a foreign casualty~~
6 ~~insurance company to make or maintain the deposit required of a~~
7 ~~domestic casualty insurance company by Section 861.252 if a similar~~
8 ~~deposit has been made in any state of the United States, under the~~
9 ~~laws of that state, in a manner that secures equally all~~
10 ~~policyholders of the company who are citizens and residents of the~~
11 ~~United States.~~

12 ~~(b) A certificate of the deposit under the signature and~~
13 ~~seal of the officer of the other state with whom the deposit is made~~
14 ~~must be filed with the department.~~

15 SECTION 9. This Act takes effect immediately if it receives
16 a vote of two-thirds of all the members elected to each house, as
17 provided by Section 39, Article III, Texas Constitution. If this
18 Act does not receive the vote necessary for immediate effect, this
19 Act takes effect September 1, 2013.