

AN ACT

relating to requirements regarding certain shareholder and policyholder dividends.

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

SECTION 1. Section 403.001, Insurance Code, is amended to read as follows:

Sec. 403.001. LIMITATION ON DIVIDENDS. An insurer organized under the laws of this state, including a life, health, fire, marine, or inland marine insurance company, may not pay a shareholder dividend except from surplus profits arising from the insurer's business.

SECTION 2. Subsections (a), (b), and (c), Section 1806.056, Insurance Code, are amended to read as follows:

(a) This subchapter does not prohibit an insurer [~~on approval by the commissioner,~~] from distributing to policyholders who are on active duty in the United States Armed Forces any estimated profits resulting from service by those policyholders in a foreign country in a combat theater of operations after January 1, 1990.

(b) An insurer that elects to make distributions under this section must:

(1) file a written application describing [~~description of~~] the insurer's distribution [~~program~~] with the commissioner for approval of a policyholder dividend amount that

1 exceeds 10 percent of surplus; or ~~[and]~~

2 (2) notify the commissioner in writing of each
3 distribution of a policyholder dividend amount that is not greater
4 than 10 percent of surplus ~~[made under the program]~~.

5 (c) If the commissioner does not act on the application
6 ~~[insurer's distribution program]~~ on or before the fifth business
7 day after the date the commissioner receives the application
8 ~~[insurer's description of the program]~~, the distribution ~~[program]~~
9 is considered approved.

10 SECTION 3. Section 1806.057, Insurance Code, is amended to
11 read as follows:

12 Sec. 1806.057. PROFIT SHARING WITH MEMBERS OF CERTAIN
13 ASSOCIATIONS AUTHORIZED. (a) Section 1806.054 does not prohibit
14 an insurer ~~[, on approval by the commissioner,]~~ from sharing profits
15 with policyholders who are part of a group program established by a
16 nonprofit business association and who participate in the group
17 program because of membership in the association.

18 (b) An insurer that elects to make distributions under this
19 section must:

20 (1) file a written application describing
21 ~~[description of]~~ the insurer's distribution ~~[program]~~ with the
22 commissioner for approval of a policyholder dividend amount that
23 exceeds 10 percent of surplus; or ~~[and]~~

24 (2) notify the commissioner in writing of each
25 distribution of a policyholder dividend amount that is not greater
26 than 10 percent of surplus ~~[made under the program]~~.

27 (c) If the commissioner does not act on the application

1 ~~[insurer's distribution program]~~ on or before the fifth business
2 day after the date the commissioner receives the application
3 ~~[insurer's description of the program]~~, the distribution ~~[program]~~
4 is considered approved.

5 SECTION 4. Section 1806.058, Insurance Code, is amended by
6 amending Subsection (b) and adding Subsection (c) to read as
7 follows:

8 (b) An insurer must obtain commissioner approval before
9 distributing a policyholder dividend if the dividend amount exceeds
10 10 percent of surplus ~~[A distribution of profits or dividends to~~
11 ~~insureds may not take effect or be paid until the commissioner~~
12 ~~approves the distribution]~~. The commissioner may not approve a
13 distribution of profits or dividends until the insurer has
14 ~~[provided]~~ adequate reserves. The reserves must be computed on the
15 same basis for all classes of insurers operating under this
16 subchapter, Subtitle C, and Subchapter A, Chapter 5.

17 (c) The insurer must notify the commissioner in writing of
18 each distribution if the insurer's policyholder dividend amount is
19 not greater than 10 percent of surplus.

20 SECTION 5. Section 1806.105, Insurance Code, is amended by
21 amending Subsection (c) and adding Subsection (d) to read as
22 follows:

23 (c) A distribution of profits or dividends to an insured may
24 not take effect or be distributed until:

25 (1) the insurer has adequate reserves ~~[are provided]~~,
26 as computed on the same basis for all classes of insurers to which
27 this subchapter applies; and

1 (2) if the policyholder dividend amount exceeds 10
2 percent of surplus, the commissioner approves the distribution.

3 (d) The insurer must notify the commissioner in writing of
4 each distribution if the insurer's policyholder dividend amount is
5 not greater than 10 percent of surplus.

6 SECTION 6. Section 1806.106, Insurance Code, is amended to
7 read as follows:

8 Sec. 1806.106. PROFIT SHARING WITH CERTAIN ASSOCIATIONS
9 AUTHORIZED. (a) This subchapter does not prohibit an insurer [~~on~~
10 ~~approval by the commissioner,~~] from sharing profits with
11 policyholders who are part of a group program established by a
12 nonprofit business association and who participate in the group
13 program because of membership in the association.

14 (b) An insurer that elects to make distributions under this
15 section must:

16 (1) file a written application describing
17 [~~description of~~] the insurer's distribution [~~program~~] with the
18 commissioner for approval of a policyholder dividend amount that
19 exceeds 10 percent of surplus; or [~~and~~]

20 (2) notify the commissioner in writing of each
21 distribution of a policyholder dividend amount that is not greater
22 than 10 percent of surplus [~~made under the program~~].

23 (c) If the commissioner does not act on the application
24 [~~insurer's distribution program~~] on or before the fifth business
25 day after the date the commissioner receives the application
26 [~~insurer's description of the program~~], the distribution [~~program~~]
27 is considered approved.

1 SECTION 7. Section 2052.004, Insurance Code, is amended by
2 amending Subsections (b) and (c) and adding Subsection (d) to read
3 as follows:

4 (b) A policyholder dividend under a workers' compensation
5 insurance policy:

6 (1) must be [~~does not take effect until~~] approved by
7 the department if the insurer's policyholder dividend amount
8 exceeds 10 percent of surplus; and

9 (2) may not be approved by the department until the
10 insurance company has [~~provides~~] adequate reserves.

11 (c) For purposes of Subsection (b), reserves must be
12 computed on the same basis for all classes of insurance companies
13 operating under this subtitle and Section 2051.002 [~~Article 5.66~~].

14 (d) An insurer must notify the department in writing of a
15 distribution if the insurer's policyholder dividend amount is not
16 greater than 10 percent of surplus.

17 SECTION 8. This Act takes effect immediately if it receives
18 a vote of two-thirds of all the members elected to each house, as
19 provided by Section 39, Article III, Texas Constitution. If this
20 Act does not receive the vote necessary for immediate effect, this
21 Act takes effect September 1, 2013.

S.B. No. 1006

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1006 passed the Senate on March 27, 2013, by the following vote: Yeas 30, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1006 passed the House on May 17, 2013, by the following vote: Yeas 134, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor