

BILL ANALYSIS

C.S.H.B. 1344
By: Sheets
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

When an insurer domiciled in Texas places reinsurance with a company that is not authorized to do business in Texas and wants to take credit for such reinsurance in its financial statements, there are restrictions on the type of assets in which insurers or reinsurers can invest when the funds are held as security for a reinsurance contract. Interested parties have noted that these investments are limited to securities that are marketable over a national exchange, have a maturity date of less than one year, and are listed by the Securities Valuation Office of the National Association of Insurance Commissioners. The parties contend that these limitations prevent the insurer or reinsurer from obtaining favorable investment returns and are unduly restrictive and even anomalous with respect to similar insurance laws across the United States. C.S.H.B. 1344 seeks to remedy these concerns.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

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

ANALYSIS

C.S.H.B. 1344 amends the Insurance Code to remove the criteria that securities be readily marketable over a national exchange and have a maturity date of not later than one year to be acceptable as security for the payment of reinsurance obligations for life, health, and accident insurance companies and related entities or for property and casualty insurers, as applicable.

EFFECTIVE DATE

September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1344 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED	HOUSE COMMITTEE SUBSTITUTE
SECTION 1. Section 492.104(b), Insurance	SECTION 1. Same as introduced version.

Code, is amended.

SECTION 2. Section 493.104(b), Insurance Code, is amended.

SECTION 3. This Act applies only to a reinsurance contract that is entered into or renewed on or after January 1, 2016. A reinsurance contract that is entered into or renewed before January 1, 2016, is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 4. This Act takes effect September 1, 2015.

SECTION 2. Same as introduced version.

SECTION 3. This Act applies to funds held as security on or after the effective date of this Act.

SECTION 4. Same as introduced version.