

BILL ANALYSIS

H.B. 1700
By: Smithee
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties note that captive insurance companies are a type of licensed insurance company used to insure the risk of the company's own affiliates or controlled unaffiliated parties in order to assist a business in reducing and stabilizing the cost of the business's risks. The parties further note that recent legislation authorizing captive insurance companies to be domiciled in Texas opened the door for Texas businesses to create a captive insurance company or to re-domesticate a captive insurance company that may have been formed elsewhere back to Texas. H.B. 1700 seeks to address issues relating to captive insurance companies.

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 rulemaking authority is expressly granted to the commissioner of insurance in SECTION 3 of this bill.

ANALYSIS

H.B. 1700 amends the Insurance Code to authorize a captive insurance company, with the approval of the commissioner of insurance, to accept risks from, cede risks to, or take credit for reserves on risks ceded to a captive reinsurance pool composed only of other captive insurance companies holding a certificate of authority under statutory provisions governing captive insurance companies or a similar law of another jurisdiction or to an affiliated captive insurance company holding a certificate of authority under such provisions or similar law of another jurisdiction.

H.B. 1700 authorizes a captive insurance company, with the commissioner's approval, to issue dividends or distributions to the holders of an equity interest in the captive insurance company and requires the commissioner to adopt rules to implement that authorization.

H.B. 1700 authorizes the commissioner, before determining whether to approve a captive insurance company's participation in a captive reinsurance pool, to require the captive insurance company to provide to the commissioner evidence that the captive reinsurance pool is composed only of other captive insurance companies holding a certificate of authority under statutory provisions governing captive insurance companies or a similar law of another jurisdiction and will be able to meet the pool's financial obligations. The bill authorizes the commissioner, before making that determination, to impose any other limitation or requirement on the captive insurance company that is necessary and proper to provide adequate security for the captive insurance company.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.