

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1093
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Reinsurance—sometimes referred to as “insurance for insurers”—helps insurers manage the financial consequences of potentially catastrophic losses from the coverage they write by spreading the risk to one or more reinsurers. Capital support from reinsurance allows insurers, particularly small domestic ones, to write more business.

C.S.S.B. 1093 makes a technical but important change affecting domestic insurers. The legislation will enable Texas-domiciled insurers broader investment options in the situation where the insurer places reinsurance with a company not authorized in Texas. Under the current law, in these situations, the reinsurer must put assets representing the reserves into trust. The assets held in trust must be invested in securities traded on a national exchange with maturity dates of less than one year. The limitations prevent the insurer or reinsurer from obtaining favorable investment returns. The current law also places Texas insurers at competitive disadvantage with respect to reinsurance options and may discourage entities from domiciling in Texas.

Currently, the Texas laws differ from both the National Association of Insurance Commissioners (NAIC) model and the laws in 48 other states. The bill adopts the language of the NAIC model and removes the restriction of a maturity of less than one year. The permitted investments are those securities approved by NAIC and qualify as an admitted asset.

C.S.S.B. 1093 amends current law relating to credit to certain ceding insurers for reinsurance ceded to certain assuming insurers.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 492.104(b), Insurance Code, as follows:

(b) Deletes existing text authorizing the funds held as security to be in the form of securities that are readily marketable over a national exchange and have a maturity date of not later than one year. Deletes existing designations of existing Subparagraphs (iii) and (iv). Makes no further changes to this subsection.

SECTION 2. Amends Section 493.104(b), Insurance Code, as follows:

(b) Deletes existing text authorizing the funds held as security to be in the form of securities that are readily marketable over a national exchange and have a maturity date of not later than one year. Deletes existing designations of existing Subparagraphs (iii) and (iv). Makes no further changes to this subsection.

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

SECTION 4. Effective date: September 1, 2015.