

## **BILL ANALYSIS**

Senate Research Center

S.B. 1427  
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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Currently, a long-standing arrangement exists in which insurers make voluntary deposits with local banks as a guarantee that claims will be paid in the event that the insurer becomes insolvent. Existing code provides for such transfers with the office of the comptroller of public accounts of the State of Texas (comptroller's office), but is unclear about insurers' ability to make deposits to private banks. Recently, the comptroller's office announced that, without a change in the law to validate insurers' arrangements with private banks, it will require that all voluntary deposits be made with the comptroller's office. However, insurers, banks, and the Texas Department of Insurance all wish to see the current arrangement continue.

S.B. 1427 codifies the practice of voluntary deposits from insurers to local banks. Insurers generally prefer this arrangement to conducting transfers with the comptroller's office, since many of the partner banks are local institutions with which the insurers have good working relationships. The banks are also in favor of this arrangement, since insurers pay a small fee to banks with which they make deposits.

As proposed, S.B. 1427 amends current law relating to deposits with the Texas Department of Insurance.

### **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 Chapter 423, Insurance Code, by adding Section 423.004, as follows:

Sec. 423.004. Statutory Deposits. (a) Authorizes an insurer, notwithstanding any requirement to make a deposit with the comptroller of public accounts of the State of Texas under this code, to make the deposit in accordance with the chapter.

(b) Requires that deposits made under this section be approved by the commissioner of insurance (commissioner), be subject to the requirements applicable to that type of deposit, and be held under the commissioner's control and prohibits such deposits from being substituted or withdrawn by the insurer without the commissioner's approval.

(c) Prohibits this section from applying to any deposit made under Chapter 406 (Special Deposits Required Under Potentially Hazardous Conditions).

SECTION 2. Effective date: September 1, 2015.