

By: Smithee

H.B. No. 1700

A BILL TO BE ENTITLED

AN ACT

relating to reinsurance, distributions, and pooling arrangements
by captive insurance companies.

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

SECTION 1. The heading to Section 964.052, Insurance Code,
is amended to read as follows:

Sec. 964.052. [~~AUTHORITY TO PROVIDE~~] REINSURANCE.

SECTION 2. Section 964.052, Insurance Code, is amended by
adding Subsection (e) to read as follows:

(e) Notwithstanding Section 964.064, a captive insurance
company, with the commissioner's approval, may accept risks from
and cede risks to or take credit for reserves on risks ceded to:

(1) a captive reinsurance pool composed only of other
captive insurance companies holding a certificate of authority
under this chapter or a similar law of another jurisdiction; or

(2) an affiliated captive insurance company holding a
certificate of authority under this chapter or a similar law of
another jurisdiction.

SECTION 3. Section 964.063, Insurance Code, is amended to
read as follows:

Sec. 964.063. [~~NOTICE OF~~] DIVIDENDS. (a) A captive
insurance company shall notify the commissioner in writing when
issuing policyholder dividends.

(b) A captive insurance company, with the commissioner's

1 approval, may issue dividends or distributions to the holders of an
2 equity interest in the captive insurance company. The commissioner
3 shall adopt rules to implement this subsection.

4 SECTION 4. Subchapter B, Chapter 964, Insurance Code, is
5 amended by adding Section 964.072 to read as follows:

6 Sec. 964.072. APPROVAL OF CAPTIVE REINSURANCE POOLS.
7 Before determining whether to approve a captive insurance company's
8 participation in a captive reinsurance pool under Section 964.052,
9 the commissioner may:

10 (1) require the captive insurance company provide to
11 the commissioner evidence that the captive reinsurance pool:

12 (A) is composed only of other captive insurance
13 companies holding a certificate of authority under this chapter or
14 a similar law of another jurisdiction; and

15 (B) will be able to meet the pool's financial
16 obligations; and

17 (2) impose any other limitation or requirement on the
18 captive insurance company that is necessary and proper to provide
19 adequate security for the captive insurance company.

20 SECTION 5. This Act takes effect immediately if it receives
21 a vote of two-thirds of all the members elected to each house, as
22 provided by Section 39, Article III, Texas Constitution. If this
23 Act does not receive the vote necessary for immediate effect, this
24 Act takes effect September 1, 2015.