

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1073
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Section 823.0595, Insurance Code, currently requires that enterprise risk reports be filed with the Texas Department of Insurance (TDI), but it includes two exemptions. Insurers with less than \$300 million of premium are exempt from filing the report, and the commissioner of insurance can exempt insurers with more than \$300 million of premium but less than \$500 million of premium from filing the report.

The laws in other states provide a "safe harbor" to insurers who operate in a state with the enterprise risk report filing requirement. This "safe harbor" allows an insurer to only file one enterprise risk report with its lead state. If, however, that state does not have an enterprise risk report filing requirement, then the other states will require that insurer to file a report with them as well.

S.B. 1073 amends the current requirement for insurers to file an enterprise risk report, also known as the Form F, with TDI. Enterprise risk reports are confidential filings made with insurance regulators that disclose when the operations of an insurer's affiliates within a holding company may negatively impact the solvency of that insurer. (Original Author's / Sponsor's Statement of Intent)

C.S.S.B. 1073 amends current law relating to registration statement and reporting requirements of insurers in an insurance holding company system.

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 823.054(b), Insurance Code, as follows:

(b) Provides that, if the amount of a single transaction or the total amount of certain transactions is more than one-half of one percent of an insurer's admitted assets as of December 31 of the year preceding the date of the transaction or transactions, rather than if the amount of a single transaction or the total amount of certain transactions is more than the lesser of one-half of one percent of an insurer's admitted assets or five percent of an insurer's surplus, as of December 31 of the year preceding the date of the transaction or transactions, the transaction or transactions, respectively, are considered to be material for purposes of this section (Material Information).

SECTION 2. Amends Sections 823.0595(d) and (f), Insurance Code, as follows:

(d) Provides that, except as provided by Subsection (e) (relating to the filing of an enterprise risk report (report) by the ultimate controlling person (UCP) of an insurer who is not in compliance with certain standards or is otherwise in hazardous condition), the UCP of a domestic insurer that is authorized, admitted, or eligible to engage in the business of insurance only in this state and has total direct or assumed annual premiums of less than \$300 million is not required to submit a report under Subsection (a) (relating

to the filing of a report) unless the UCP of the domestic insurer also controls other insurers that do not meet the requirements of this subsection. Deletes existing text providing that, except as provided by Subsection (e), the UCP of an insurer with total direct or assumed annual premiums of less than \$300 million is not required to submit a report. Provides that, for the purposes of this subsection, an insurer is not considered to be authorized, admitted, or eligible to engage in the business of insurance only in this state if the insurer directly or indirectly writes or assumes insurance in any manner in another state.

(f) Authorizes an insurer, rather than an insurer or health maintenance organization, that in the preceding calendar year had direct written and assumed premiums of certain amounts and otherwise meets the requirements of Subsection (d), to request an exemption from the reporting requirements of Subsection (a) by filing with the commissioner of insurance a certain written statement. Makes conforming changes.

SECTION 3. Effective date: upon passage or September 1, 2017.