**BILL ANALYSIS**

|  |  |
| --- | --- |
| Senate Research Center | S.B. 1502 |
| 86R6054 JES-F | By: Creighton |
|  | Business & Commerce |
|  | 4/6/2019 |
|  | As Filed |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

S.B. 1502 amends the Insurance Code to authorize Texas insurance companies to invest funds in excess of minimum capital and surplus in shares of a bond exchange-traded fund registered under the Investment Company Act of 1940 (15 U.S.C., Section 80a-1, et seq.), as amended, under certain conditions.

As proposed, S.B. 1502 amends current law relating to the authority of certain insurers to make investments in bond exchange-traded funds.

**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 Subchapter B, Chapter 424, Insurance Code, by adding Section 424.075, as follows:

Sec. 424.075. AUTHORIZED INVESTMENTS: BOND EXCHANGE-TRADED FUNDS. (a) Authorizes an insurer to invest the insurer's funds in excess of minimum capital and surplus in shares of a bond exchange-traded fund registered under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), as amended, if certain conditions are met.

(b) Authorizes an insurer to deposit with the Texas Department of Insurance (TDI) shares of a bond exchange-traded fund described by Subsection (a) as a statutory deposit if state law requires a statutory deposit from the insurer.

SECTION 2. Amends Subchapter C, Chapter 425, Insurance Code, by adding Section 425.1231, as follows:

Sec. 425.1231. AUTHORIZED INVESTMENTS: BOND EXCHANGE-TRADED FUNDS. (a) Authorizes an insurance company to invest the insurer's funds in excess of minimum capital and surplus in shares of a bond exchange-traded fund registered under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), as amended, if certain conditions are met.

(b) Authorizes an insurance company to deposit with TDI shares of a bond exchange-traded fund described by Subsection (a) as a statutory deposit if state law requires a statutory deposit from the insurance company.

(c) Requires a bond exchange-traded fund described by Subsection (a) to be considered a business entity for purposes of Section 425.110 (Authorized Investments: Obligations of and Other Investments in Business Entities).

SECTION 3. Effective date: September 1, 2019.