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By:  Lucio III H.B. No. 2694

A BILL TO BE ENTITLED

AN ACT

relating to the authority of certain insurers to make investments in bond exchange-traded funds.

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

SECTION 1.  Subchapter B, Chapter 424, Insurance Code, is amended by adding Section 424.075 to read as follows:

Sec. 424.075.  AUTHORIZED INVESTMENTS: BOND EXCHANGE-TRADED FUNDS. (a) An insurer may 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:

(1)  the exchange-traded fund is solvent and reported at least $1 million of net assets in the exchange-traded fund's latest annual or more recent certified audited financial statement;

(2)  the securities valuation office has designated the exchange-traded fund as meeting the criteria to be placed on the list promulgated by the securities valuation office of exchange-traded funds eligible for reporting as a statutory long-term bond obligation on Internal Revenue Service Form 1040, Schedule D; and

(3)  the amount of the insurer's investment in the exchange-traded fund does not exceed 15 percent of the insurer's capital and surplus.

(b)  An insurer may deposit with the department 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.  Subchapter C, Chapter 425, Insurance Code, is amended by adding Section 425.1231 to read as follows:

Sec. 425.1231.  AUTHORIZED INVESTMENTS: BOND EXCHANGE-TRADED FUNDS. (a) An insurance company may 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:

(1)  the exchange-traded fund is solvent and reported at least $1 million of net assets in the exchange-traded fund's latest annual or more recent certified audited financial statement;

(2)  the securities valuation office has designated the exchange-traded fund as meeting the criteria to be placed on the list promulgated by the securities valuation office of exchange-traded funds eligible for reporting as a statutory long-term bond obligation on Internal Revenue Service Form 1040, Schedule D; and

(3)  the amount of the insurance company's investment in the exchange-traded fund does not exceed the investment amount limit in Section 425.157(b).

(b)  An insurance company may deposit with the department 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)  A bond exchange-traded fund described by Subsection (a) shall be considered a business entity for purposes of Section 425.110.

SECTION 3.  This Act takes effect September 1, 2019.