

By: Creighton

S.B. No. 1502

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

1 bond exchange-traded fund described by Subsection (a) as a
2 statutory deposit if state law requires a statutory deposit from
3 the insurer.

4 SECTION 2. Subchapter C, Chapter 425, Insurance Code, is
5 amended by adding Section 425.1231 to read as follows:

6 Sec. 425.1231. AUTHORIZED INVESTMENTS: BOND
7 EXCHANGE-TRADED FUNDS. (a) An insurance company may invest the
8 insurer's funds in excess of minimum capital and surplus in shares
9 of a bond exchange-traded fund registered under the Investment
10 Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), as amended,
11 if:

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

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

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

24 (b) An insurance company may deposit with the department
25 shares of a bond exchange-traded fund described by Subsection (a)
26 as a statutory deposit if state law requires a statutory deposit
27 from the insurance company.

1 (c) A bond exchange-traded fund described by Subsection (a)
2 shall be considered a business entity for purposes of Section
3 [425.110.](#)

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