

BILL ANALYSIS

Senate Research Center
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H.B. 3045
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The most recent biennial report of the Texas Department of Insurance (TDI) included recommendations to remove outdated statutes and provide regulatory relief to plans under TDI jurisdiction. One of these recommendations is to remove the requirement for health maintenance organizations (HMOs) to submit fidelity bonds to the Comptroller of Public Accounts of the State of Texas (comptroller). Currently, HMOs are required to submit these bonds on their officers and employees to the comptroller to protect their members in the event of insolvency. However, legislation was enacted last session moving HMOs into the Texas Life & Health Insurance Guaranty Association, a nonprofit entity created by the legislature in 1973 as a last resort to protect policyholders from insolvency. Moving HMOs into the association has since rendered the requirement to deposit bonds with the comptroller duplicative and unnecessary. H.B. 3045 seeks to address this issue by removing statutory requirements for HMOs to deposit certain bonds with the comptroller.

H.B. 3045 amends current law relating to financial regulation of certain life, health, and accident insurers and health maintenance organizations.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 4 (Section 534.153, Health and Safety Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 841.351(c) and (d), Insurance Code, as follows:

(c) Authorizes a domestic insurance company to, at its option, withdraw a deposit made under Subsection (a) (relating to the authority of a domestic insurance company to deposit certain securities with the Comptroller of Public Accounts of the State of Texas (comptroller) at its option), or any portion of the deposit, rather than authorizes a domestic insurance company to, at its option, withdraw a deposit made under Subsection (a), or any portion of the deposit, after substituting a deposit of securities of a like class and of an amount and value equal to the withdrawn deposit or portion of deposit.

(d) Requires the commissioner of insurance (commissioner) to first approve any securities deposited or withdrawn, rather than securities deposited or being substituted, under Section 841.251 (Deposit with Comptroller).

SECTION 2. Amends Section 843.082, Insurance Code, to delete existing text requiring the commissioner to issue a certificate of authority on payment of the application fee prescribed by Section 843.154(c) (relating to the highest amounts a health maintenance organization is required to pay the comptroller) if the commissioner is satisfied that the health maintenance organization is fully responsible and may reasonably be expected to meet its obligations to enrollees and prospective enrollees, after considering any deposit of cash or securities submitted in accordance with Section 843.405 (Deposit with Comptroller) as a guarantee that the obligations will be performed. Makes a nonsubstantive change.

SECTION 3. Amends Subchapter L, Chapter 843, Insurance Code, by adding Section 843.4055, as follows:

Sec. 843.4055. DEPOSIT WITH OR WITHDRAWAL FROM COMPTROLLER. (a) Authorizes a health maintenance organization to, at its option and after receiving commissioner approval, deposit with the comptroller cash, securities, or any combination of cash, securities, and other guarantees.

(b) Authorizes a health maintenance organization to, at its option and after receiving commissioner approval, withdraw a deposit made under Subsection (a) or any portion of the deposit.

SECTION 4. Amends Section 534.153, Health and Safety Code, as follows:

Sec. 534.153. APPLICATION OF LAWS AND RULES. Authorizes the commissioner to adopt rules as necessary to accept funding sources other than the sources specified by Section 843.4055, Insurance Code, rather than Section 843.405, Insurance Code, from a nonprofit health maintenance organization created and operating under Subchapter C (Health Maintenance Organizations), to meet the minimum surplus requirements of that section.

SECTION 5. Repealer: Section 841.355 (Withdrawal of Deposit After Merger, Consolidation, or Total Reinsurance), Insurance Code.

Repealer: Section 841.357 (Maintenance of Deposit), Insurance Code.

Repealer: Sections 843.105(d) (relating to the requirement that the commissioner disapprove a proposed management contract except in certain circumstances), (e) (relating to the requirements by which a fidelity bond must be issued), (f) (relating to the required obligations of the fidelity bond), and (g) (relating to the alternatives to fidelity bonds that the management contractor is authorized to deposit with the comptroller), Insurance Code.

Repealer: Section 843.402 (Officers' and Employees' Bond), Insurance Code.

Repealer: Section 843.405 (Deposit with Comptroller), Insurance Code.

SECTION 6. Requires the comptroller, on the effective date of this Act, to release, transfer, and deliver to the owner any deposits made by a health maintenance organization under former Sections 843.105(g), 843.402, and 843.405, Insurance Code.

SECTION 7. Effective date: September 1, 2021.