

BILL ANALYSIS

H.B. 3255
By: Sanford
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Texas' domestic insurance companies are required to issue at least 50 percent of their authorized common stock. It has been suggested that this requirement may not increase protections for consumers or serve a regulatory purpose and is an outdated provision that could be eliminated to provide insurers relief from unnecessary regulations. H.B. 3255 seeks to provide this relief by removing a requirement for the shareholders of an insurance company to subscribe and pay for shares representing at least 50 percent of the amount of shares of stock without par value the shareholders have authorized before the company is granted a charter or has its charter amended and by repealing related provisions.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 3255 amends the Insurance Code to remove the requirement for the shareholders of an insurance company to subscribe and pay for shares representing at least 50 percent of the amount of shares of stock without par value the shareholders have authorized before the company is granted a charter or has its charter amended.

H.B. 3255 repeals the following:

- the requirement for the shareholders of an insurance company authorizing par value shares of stock to subscribe and fully pay for shares representing at least 50 percent of the total par value of the authorized shares before the company is granted a charter or amends a charter to take either of the following actions:
 - authorize the issuance of par value shares; or
 - increase or decrease from time to time the number of authorized par value shares;and
- a provision conditioning a life, health, or accident insurance company's authority to increase or decrease by an amendment to its charter the total number of shares of stock the company is authorized to issue on shares representing at least 50 percent of the total par value of the authorized shares with a par value, if any, and shares representing at least 50 percent of the total number of the authorized shares without a par value, if any, that have been subscribed and fully paid for.

H.B. 3255 repeals the following provisions of the Insurance Code:

- Section 822.055(d);
- Section 841.055(c); and
- Section 841.056(d).

EFFECTIVE DATE

September 1, 2021.