

BILL ANALYSIS

H.B. 3508
By: Wharton
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill author has informed the committee of certain changes he believes are needed with regard to an insurer's responsibility under current law to conduct an on-site audit of a third-party administrator that provides administrative and operational services for insurers, such as claims processing, reporting, and benefit management. While current law requires an insurer to conduct an on-site audit of the operations of the third-party administrator at least biennially, the bill author has cited the benefits and experience insurers gained in using virtual audits, on a temporary basis, which were allowed by Texas insurance regulators during the COVID-19 pandemic. H.B. 3508 seeks to permanently modernize the applicable audit law to create regulatory flexibility by eliminating the requirement that insurers conduct the biennial audit on site, thus allowing the insurer to decide whether an audit of the third-party administrator would be more effective virtually or in person.

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. 3508 amends the Insurance Code to remove the specification that the audit required to be conducted by an insurer at least biennially of the operations of a third-party administrator of benefits for more than 100 certificate holders, injured employees, plan participants, or policyholders on the insurer's behalf is conducted on site.

EFFECTIVE DATE

September 1, 2025.