

BILL ANALYSIS

S.B. 1427
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Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested stakeholders explain that in order to prove an insurer's commitment to policyholders, the insurer often makes a voluntary deposit directly with the comptroller of public accounts that is set aside for the benefit of the regulator to pay claims if an insurer becomes insolvent. However, the stakeholders report that over time a practice emerged that proved more workable for the market and better for local communities. The stakeholders contend that for decades insurance carriers have been allowed the option of making this voluntary deposit either directly with the comptroller or with a local bank. If deposited with a local bank, the insurance carrier provides the Texas Department of Insurance (TDI) with a deposit receipt and security agreement, and TDI then remits the receipt to the comptroller. The stakeholders argue that this system creates flexibility for the industry and allows local banks to hold the deposit funds, keeping the money in local communities. S.B. 1427 seeks to codify this practice.

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

S.B. 1427 amends the Insurance Code to authorize a domestic insurer to deposit money or other assets required for the security of an insurer's policyholders or creditors with the Texas Department of Insurance in accordance with the bill's provisions, notwithstanding any Insurance Code requirement that an insurer deposit with the comptroller of public accounts such money or other assets for the security of an insurer's policyholders or creditors, including a deposit required by another state. The bill requires such authorized deposits to be approved by the commissioner of insurance and held under the commissioner's control; subjects an authorized deposit to any requirements applicable to that type of deposit; and prohibits an authorized deposit from being substituted or withdrawn by the insurer without the commissioner's approval. The bill exempts from its provisions any special deposits required to be made under potentially hazardous conditions and a deposit of fees or taxes under the Insurance Code.

EFFECTIVE DATE

September 1, 2015.