

## **BILL ANALYSIS**

H.B. 3220  
By: Phillips  
Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Concerns have been raised that international regulators may enforce group-wide regulatory requirements on insurers based in the United States that are internationally active due to the absence of explicit statutory authority for a state to serve as the group-wide supervisor of the insurer, even though states often serve in this role in practice. Interested parties contend this would increase costs and impose additional layers of regulatory requirements that potentially conflict with Texas law. H.B. 3220 seeks to address this issue by establishing the authority and framework for the commissioner of insurance to act as the group-wide supervisor for certain internationally active insurance groups.

### **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 rulemaking authority is expressly granted to the commissioner of insurance in SECTION 3 of this bill.

### **ANALYSIS**

H.B. 3220 amends the Insurance Code to authorize the commissioner of insurance to act as the group-wide supervisor for any internationally active insurance group, defined by the bill as an insurance holding company system that includes a registered insurer that is a member of an insurance holding company system, has premiums written in at least three countries, has a percentage of gross premiums written outside the United States of at least 10 percent of the insurance holding company system's total gross written premiums, and has total assets of at least \$50 billion or total gross written premiums of at least \$10 billion based on a three-year rolling average. The bill authorizes the commissioner to otherwise acknowledge another regulatory official as the group-wide supervisor where the internationally active insurance group does not have substantial insurance operations in the United States, has substantial insurance operations in the United States but not in Texas, or has substantial insurance operations in the United States and Texas, but the commissioner has determined in accordance with the bill's provisions that the other regulatory official is the appropriate group-wide supervisor. The bill authorizes an insurance holding company system that does not otherwise qualify as an internationally active insurance group to request that the commissioner make a determination or acknowledgment as to a group-wide supervisor. The bill establishes that the commissioner, in cooperation with other state, federal, and international regulatory agencies, will identify a single group-wide supervisor for an internationally active insurance group. The bill authorizes the commissioner to determine that the commissioner is the appropriate group-wide supervisor for an internationally active insurance group that conducts substantial insurance operations concentrated in Texas and to acknowledge that a regulatory official from another jurisdiction is the appropriate group-wide

supervisor for the internationally active insurance group. The bill sets out the factors the commissioner is required to consider when making the determination or acknowledgment.

H.B. 3220 authorizes a commissioner identified as the group-wide supervisor to determine that it is appropriate to acknowledge another supervisor to serve as the group-wide supervisor. The bill requires such an acknowledgment to be made after consideration of the factors specified by the bill, in cooperation with and subject to the acknowledgment of other regulatory officials involved with supervision of members of the internationally active insurance group, and in consultation with the internationally active insurance group. The bill requires the commissioner, when another regulatory official is acting as the group-wide supervisor of an internationally active insurance group, to acknowledge that regulatory official as the group-wide supervisor. The bill requires the commissioner to make a determination or acknowledgment as to the appropriate group-wide supervisor for an internationally active insurance group in the event of a material change in the internationally active insurance group that results in the internationally active insurance group's insurers domiciled in Texas holding the largest share of the group's premiums, assets, or liabilities, or that results in Texas being the place of domicile of the top-tiered insurers in the insurance holding company system of the internationally active insurance group.

H.B. 3220 authorizes the commissioner to collect from any registered insurer that is a member of an insurance holding company system, under statutory provisions relating to an examination of such insurers, all information necessary to determine whether the commissioner may act as the group-wide supervisor of an internationally active insurance group or if the commissioner may acknowledge another regulatory official to act as the group-wide supervisor. The bill requires the commissioner, before issuing a determination that an internationally active insurance group is subject to group-wide supervision by the commissioner, to notify the registered insurer and the ultimate controlling person within the internationally active insurance group. The bill establishes that the internationally active insurance group has not less than 30 days to provide the commissioner with additional information pertinent to the pending determination and authorizes the commissioner to publish on the Texas Department of Insurance (TDI) website the identity of internationally active insurance groups that the commissioner has determined are subject to group-wide supervision by the commissioner. The bill authorizes the commissioner to engage in specified group-wide supervision activities if the commissioner is the group-wide supervisor for an internationally active insurance group. The bill authorizes the commissioner, if the commissioner acknowledges that another regulatory official from a jurisdiction that is not accredited by the National Association of Insurance Commissioners is the group-wide supervisor, to reasonably cooperate, through supervisory colleges or otherwise, with group-wide supervision undertaken by the group-wide supervisor provided that the commissioner's cooperation is in compliance with state law and the acknowledged regulatory official also recognizes and cooperates with the commissioner's activities as a group-wide supervisor for other internationally active insurance groups where applicable. The bill authorizes the commissioner to refuse recognition and cooperation where recognition and cooperation are not reasonably reciprocal.

H.B. 3220 authorizes the commissioner to enter into agreements with or obtain documentation from any registered insurer that is a member of an insurance holding company system, affiliate of the insurer, and other state, federal, and international regulatory agencies for members of the internationally active insurance group that provides the basis for or otherwise clarifies a regulatory official's role as group-wide supervisor. The bill authorizes the commissioner to adopt rules necessary for the administration of the bill's provisions relating to the group-wide supervision of internationally active insurance groups. The bill requires a registered insurer subject to the bill's provisions to be liable for and to pay the reasonable expenses of the commissioner's participation in the administration of such provisions.

H.B. 3220 applies statutory provisions relating to the confidentiality of information to information, including documents and copies of documents, reported or otherwise provided

under the bill's provisions relating to group-wide supervision of internationally active insurance groups and to information obtained by or disclosed to the commissioner or another person in the course of an examination or investigation under statutory provisions relating to audits and examinations. The bill changes, for purposes of disclosure on a registration statement filed with the Texas Department of Insurance by an insurer that is a member of an insurance holding company system or on a registered insurer's report regarding material changes, the threshold amount of a single transaction or the total amount of all transactions involving sales, purchases, exchanges, loans or other extensions of credit, or investments above which the transaction or transactions, respectively, are considered to be material from the lesser of one-half of one percent of the insurer's admitted assets or five percent of the insurer's surplus as of a certain date to one-half of one percent of the insurer's admitted assets as of that date.

**EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2017.