

SUBJECT: Changing ratings used to approve insurers for some structured settlements

COMMITTEE: Judiciary and Civil Jurisprudence — committee substitute recommended

VOTE: 6 ayes — Leach, Julie Johnson, Krause, Meyer, Smith, White

2 nays — Farrar, Neave

1 absent — Y. Davis

WITNESSES: For — (*Registered, but did not testify*: Rachel Huthsteiner, Independent Insurance Group; Paul Martin, National Association of Mutual Insurance Companies)

Against — None

On — (*Registered, but did not testify*: Jeff Hunt, Texas Department of Insurance)

BACKGROUND: Property Code sec. 142.009 requires a court to approve an insurance company that provides an annuity contract for a structured settlement in a suit brought by a next friend or guardian ad litem on behalf of a minor or incapacitated person. One of the factors a court can consider in granting this approval is whether the company holds an industry rating equivalent to at least two ratings issued by certain rating organizations that are listed in statute.

Concerns have been raised that the list of rating organizations in the statute was last updated in 1999 and that some of these organizations no longer are in business.

DIGEST: CSHB 3771 would change the ratings that a court could consider in approving an insurance company to provide an annuity contract for a structured settlement in a suit brought by a next friend or guardian ad litem on behalf of a minor or incapacitated person.

Rather than considering whether a company held an industry rating equivalent to at least two ratings issued by certain rating organizations listed in statute, the court could consider whether the company held an issuer credit rating equivalent to the National Association of Insurance Commissioners NAIC 1 designation from a national or international rating agency that:

- had registered with the Securities and Exchange Commission;
- was designated as a nationally recognized statistical rating organization; and
- was on the list of Credit Rating Providers by the Securities Valuation Office of the National Association of Insurance Commissioners.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2019.