

- SUBJECT:** Insurance company allowable investments
- COMMITTEE:** Insurance — favorable, with amendment
- VOTE:** 8 ayes — Smithee, Duncan, Averitt, Counts, De La Garza, Driver, Dutton, G. Lewis
- 0 nays
- 1 absent — Shields
- SENATE VOTE:** On final passage, May 1 — voice vote
- WITNESSES:** For — Will D. Davis, American General Corporation
- Against — None
- DIGEST:** SB 1544, as amended, would make a number of changes to authorized investments allowed insurance companies including:
- Adding short-term investment pools to the list of authorized investments for insurance companies. The bill specifies the type, length, percentage and conditions of the investment pool including that the investments would have to be top rated by the Securities Valuation Office and mature in less than three years;
 - Allowing equity investments in any business that is a limited liability partnership, limited partnership, limited partnership interest in a joint venture, or trust that is organized under the laws of the United States, another state, Canada or any state, district, province or territory of Canada;
 - Requiring companies in whose equity stock Texas insurance companies invest to be subject to an annual audit by an independent certified public accountant or some other evaluation allowed by the insurance commissioner;
 - Permitting insurance companies to have more than 90 percent investment in certain real estate in certain circumstances;

- Increasing from five percent to 20 percent the amount of foreign assets a insurance company may have.

In addition, the bill would specify that any investment, once qualified, remains a qualified investment.

The investments authorized by law would not apply to assets acquired because of a reinsurance, merger, or consolidation if the assets were legal assets for the ceding, merged or consolidated company.

The bill would specify that the qualification or disqualification of an investment under one section of the authorized investments allowed would not prevent its qualification in whole or in part under another section, and an investment allowed by more than one section could be held under whatever section the insurance company desires. It would allow an insurance company to transfer an asset to another section of the authorized investments allowed whether it originally qualified in that section or not.

The bill would take effect September 1, 1995.

NOTES:

The committee amendment would limit insurance company investments in short-term investment pools to not more than 10 percent of the assets of a pool, and the aggregate investment by an insurer in all pools could not exceed 10 percent of the insurer's admitted assets. If the admitted assets of the insurer or its group of affiliated insurers exceeded \$1 billion, the insurer's pro rate share of each underlying asset could be aggregated with all other investments of the insurer to determine if it exceeded the investment limit.