

SUBJECT: Insurance commissioner's options in imposing sanctions

COMMITTEE: Insurance — favorable, without amendment

VOTE: 9 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, Eiland, G. Lewis, Olivo, Wise

0 nays

WITNESSES: For — None

Against — None

On — Rose Ann Reeser, Texas Department of Insurance

BACKGROUND : The insurance commissioner has the authority to impose sanctions against a party that violates the Texas Insurance Code or a rule promulgated by the Insurance Department. Under the Insurance Code, the commissioner may either revoke the party's license or impose an administrative penalty or require restitution to the party who was harmed. The commissioner currently cannot revoke a party's license *and* order restitution.

DIGEST: HB 1901 would allow the Insurance Commissioner to suspend a party's license and impose an administrative penalty or order restitution when a party has been found to have violated the Insurance Code or Texas Department of Insurance rules.

HB 1901 would apply to sanctions imposed for conduct that occurred on or after September 1, 1997, the bill's effective date.

SUPPORTERS SAY: HB 1901 would allow the insurance commissioner to impose stiff penalties and prevent an insurance company, agent, or other party from continuing to do business in Texas when that party has violated Texas law. Under current law, the commissioner must choose between revoking the party's license or ordering restitution. In many cases, choosing either of these penalties solves only half the problem. HB 1901 would make it clear that the commissioner may, for example, revoke a license until an agent or company has made full restitution to the injured party or parties. This would give the insurance

HB 1901
House Research Organization
page 2

commissioner more latitude in determining appropriate sanctions, and give companies and agents an incentive for paying restitution to injured parties.

OPPONENTS
SAY:

No apparent opposition.