

BILL ANALYSIS

Senate Research Center
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S.B. 631
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Section 406 (Special Deposits Required under Potentially Hazardous Conditions) of the Texas Insurance Code states that the commissioner of insurance can require an insurer to submit a deposit to the Office of the Comptroller of Public Accounts if the commissioner determines that certain conditions exist that may be hazardous to the insurer's policyholders, enrollees, or creditors or to the public. Hazardous conditions generally relate to the insurer's financial or operating condition, the insurer's relationship with affiliates, the nature and amount of the insurer's investments, and contracts or agreements the insurer has entered into that may lead to contingent liability or relate to guaranty or surety. Often, these hazardous situations can be rectified and in those instances, insurers may request to withdraw their deposit. The commissioner has the sole discretion to approve or deny a request, subject to appeal at the insurer's discretion. Current law requires the commissioner to approve or deny the request by formal order, which is inefficient and labor intensive.

S.B. 631 allows the commissioner to issue a letter approving an application to withdraw a deposit made to the comptroller's office, rather than going through the process of issuing a formal order. In the instance of a denial, the commissioner must still send a formal order to ensure that the existing appeals mechanism for denials in Section 406 remains unaffected. This change will make the approval process more efficient while maintaining the current structure for denials to ensure adequacy of the appeals process.

As proposed, S.B. 631 amends current law relating to certain statutory insurance deposit requirements.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 406.006(d) and (f), Insurance Code, as follows:

(d) Requires the commissioner of insurance (commissioner) to issue a letter approving or an order denying, rather than an order approving or denying, an application under this section not later than the 30th day after the date the Texas Department of Insurance receives the application.

(f) Prohibits the comptroller of public accounts (comptroller) from releasing a deposit made under this chapter, or any part of the deposit, and prohibits the comptroller from accepting a substitute for a deposited security unless the commissioner issues a letter, rather than an order, approving the withdrawal or substitution.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: upon passage or September 1, 2013.