

SUBJECT: Risk limitations for Texas insurers

COMMITTEE: Insurance — favorable, without amendment

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

0 nays

WITNESSES: None

BACKGROUND : Property and casualty insurers incorporated in other states and licensed to do business in Texas are subject to a 10 percent risk limitation requirement. This means that they cannot expose themselves to loss on any one risk in an amount that would exceed 10 percent of the company's net worth, unless the excess above 10 percent is reinsured with another insurer.

DIGEST: HB 1977 would subject property and casualty insurers incorporated under Texas law to the 10 percent risk limitation requirement.

The bill would take effect September 1, 1997.

SUPPORTERS SAY: HB 1977 would implement a recommendation from Insurance Commissioner Elton Bomer in his biennial report to the 75th Legislature. HB 1977 would protect consumers and policy holders by ensuring that certain property and casualty insurers incorporated in Texas could not take excessive risks that would threaten their financial solvency. The bill would clarify that Texas domestic insurers incorporated under Texas law comply with the 10 percent risk limitation, preventing them from overexposing themselves to risks that could result in bankruptcy.

OPPONENTS SAY: No apparent opposition.