

SUBJECT: Frequency and cost of examinations by Texas Department of Insurance

COMMITTEE: Insurance — committee substitute recommended

VOTE: 8 ayes — Smithee, T. Smith, Taylor, Eiland, Hancock, Martinez, Vo,  
Woolley

0 nays

1 absent — Thompson

SENATE VOTE: On final passage, April 12 — 31-0, on Local and Uncontested Calendar

WITNESSES: None

BACKGROUND: Under current law, a representative of the Texas Department of Insurance (TDI) visits insurance carriers legally authorized to conduct business in Texas. The visit consists of an examination of the carrier's affairs, financial condition, and ability to meet liabilities and comply with pertinent state laws.

Visits to insurance carriers occur annually during the first three years after the carrier is established. Thereafter, TDI examines carriers once every three years or more frequently, if deemed necessary. If the insurance commissioner determines that the financial strength of a carrier warrants less frequent examinations, the department may conduct examinations once every five years. Also, the insurance commissioner may adopt rules to determine whether the financial strength of a carrier justifies less frequent examinations.

As often as the commissioner considers necessary, the commissioner may review the operations of a worker's compensation health care network or a third party with which the network has contracted to provide health care services. The review may include on-site visits to the network's place of operation. During the on-site visits, the network or third party must make available all records relating to operations.

DIGEST:

SB 1253 would eliminate the requirement for the Texas Department of Insurance to visit and examine a carrier annually for three years after its establishment and once every three years thereafter. SB 1253 also would eliminate consideration of a carrier's financial strength in determining its examination schedule.

The bill would require that the department visit a carrier at least once every five years. The insurance commissioner would adopt rules to govern the frequency of examinations for carriers that had been in operation for less than five years.

A worker's compensation health care network or the third party designated to provide health care services would have to pay a fee for expenses directly attributable to the examination to the Department of Insurance according to rules adopted by the commissioner. Fees collected would be deposited to the Texas Department of Insurance's operating account.

The bill would take effect on September 1, 2007.