

- SUBJECT:** Permitting TDI fund transfers for examination expenses
- COMMITTEE:** Insurance — favorable, without amendment
- VOTE:** 7 ayes — Smithee, Eiland, G. Bonnen, Morrison, Muñoz, Taylor, C. Turner
- 0 nays
- 2 absent — Creighton, Sheets
- SENATE VOTE:** On final passage, April 11 — 31-0, on Local and Uncontested Calendar
- WITNESSES:** (*On House companion bill, HB 3697:*)
For — None
- Against — None
- On — Kevin Brady, Texas Department of Insurance; (*Registered, but did not testify:* Jamie Walker, Texas Department of Insurance)
- BACKGROUND:** The Texas Department of Insurance (TDI) carries out financial and actuarial examinations of insurance companies' solvency as part of its Financial Regulation Division. In 2011, the 82nd Legislature enacted SB 1291, which established a self-directed budget within TDI for this purpose and prohibited the department's operating budget from being used directly or indirectly to fund its examination functions.
- TDI's self-directed budget is funded by assessments on insurance companies' examinations. This money is deposited in an account in the Texas Safekeeping Trust Co. to pay examination costs. Insurance companies receive from the Comptroller of Public Accounts credits reducing their premium tax liability in the amount they were charged in examination fees.
- DIGEST:** SB 1665 would permit TDI's self-directed account to reimburse its operating account for the reimbursement of premium tax credits for examination costs.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

**SUPPORTERS
SAY:**

SB 1665 would allow SB 1291 (82nd) to work as it was intended in a transparent manner. The 83rd Legislature's proposed budget would require TDI use its operating account to reimburse the Comptroller of Public Accounts \$10 million in fiscal year 2015 for premium tax credits issued for examination costs. This would conflict with sec. 401.252, Insurance Code, as enacted by SB 1291 (82nd), which prohibits TDI's operating account from paying examination costs, even indirectly. If SB 1 required TDI to reimburse the Comptroller for examination costs and TDI was unable to use its self-directed account to reimburse its operating account, the department would be required to raise maintenance taxes on insurance companies to continue funding its operations at present levels. This would be a circuitous and imprecise method of funding examinations.

The bill would be a simple but important action to maintain TDI's capacity to ensure the financial integrity and solvency of Texas' insurance companies. SB 1291 (82nd) has been effective in attracting and retaining qualified examiners and actuaries to TDI, and SB 1665 would preserve this.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The House companion bill, HB 3697 by Smithee, was left pending in the House Insurance Committee on April 2.