

## **BILL ANALYSIS**

Senate Research Center

S.B. 1897  
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Economic Development  
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As Filed

### **DIGEST**

Currently, insurers are required to maintain loss or claim reserves and the commissioner of insurance is required to adopt each current formula for establishing reserves applicable to each line of insurance recommended by the National Association of Insurance Commissioners. Some examiners have attempted to require insurers to set aside reserves for unaccrued claims, which could potentially hinder the financial stability of a company. This bill will require the commissioner of insurance to adopt reserve standards in accordance with actuarial standards of practice published by the American Academy of Actuaries, and require the standards to take into account the date on which unpaid claims are incurred.

### **PURPOSE**

As proposed, S.B. 1897 requires the commissioner of insurance to adopt reserves standards in accordance with actuarial standards of practice published by the American Academy of Actuaries and requires the reserves standards to take into account the date on which unpaid claims are incurred.

### **RULEMAKING AUTHORITY**

Rulemaking authority is granted to the commissioner of insurance in SECTION 1 (Article 21.39(b), Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Article 21.39, Insurance Code, to require every insurer to maintain reserves in an amount estimated in the aggregate to provide for the payment of all the insurer's losses or claims incurred on or prior to the date of the statement, that are unpaid as of that date, and also reserves in an amount estimated to provide for the expenses of adjustment or settlement of the unpaid claims. Requires the commissioner of insurance (commissioner) to adopt reserves standards in accordance with this code and actuarial standards of practice published by the American Academy of Actuaries. Requires the standards adopted by the commissioner to take into account the date, established in policy or contract or by company practice, on which unpaid claims are incurred. Requires all companies that write insurance to which each adopted standard applies to establish reserves in compliance with the standard. Deletes existing text regarding the formula for establishing reserves. Makes nonsubstantive changes.

SECTION 2. (a) Requires the commissioner of insurance, as soon as practicable after the effective date of this Act, to adopt reserves standards under Article 21.39, Insurance Code, as amended by this Act.

(b) Makes application of this Act prospective.

SECTION 3. Emergency clause.  
Effective date: upon passage.