

SUBJECT: Assessing insurers for insurer examinations

COMMITTEE: Insurance — favorable, without amendment

VOTE: 8 ayes — Smithee, Eiland, G. Bonnen, Creighton, Muñoz, Sheets, Taylor, C. Turner

0 nays

1 absent — Morrison

WITNESSES: For — None

Against — Beaman Floyd, Texas Coalition for Affordable Insurance Solutions; (*Registered, but did not testify:* Wayne Faircloth)

On — Kevin Brady, Texas Department of Insurance; (*Registered, but did not testify:* Jamie Walker, Texas Department of Insurance)

BACKGROUND: Insurance Code, sec. 401.151 requires that a domestic insurer be financially audited by TDI at least once every five years. The insurer is required to pay the expenses directly attributable to the examination, as well as an annual assessment toward the ongoing examination program.

Sec. 401.152 requires that an insurer not organized under the laws of Texas pay the Texas Department of Insurance (TDI) for the salary and expenses of each examiner and for other TDI expenses related to the audit.

DIGEST: HB 2163 would require that TDI impose on insurers not organized in Texas an annual assessment sufficient to meet all expenses relating to their examination program in a manner similarly calculated to the annual assessment on insurers organized in Texas.

The bill would take effect September 1, 2013.

SUPPORTERS SAY: HB 2163 would boost Texas' insurance industry and economy by assessing domestic and out-of-state insurers equally.

Leveling the assessment playing field would mean fewer carriers would have a disincentive to domicile in Texas. TDI notes in its *Biennial Report to the 83rd Legislature* that Texas consumers and businesses paid more than \$106 billion in insurance premiums last year, making Texas the 12th-largest insurance market in the world. But in relation to the size of the state's insurance market, Texas is home to an average number of insurance companies. Texas is also average in terms of the number of large insurers writing \$500 million or more in annual premiums.

The bill would help increase competition, support economic growth in Texas, and enhance TDI's ability to influence regulatory developments at the national level.

OPPONENTS
SAY:

HB 2163 would be a *de facto* act of protectionism to keep Texas insurance companies protected from outside competition. The insurance market is currently in flux due to the Affordable Care Act and other regulatory changes, and the bill would be poorly timed.