

BILL ANALYSIS

Senate Research Center

H.B. 1708
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Economic Development
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Engrossed

DIGEST

Currently, property and casualty insurance companies are required to participate in guaranty funds whereby they are assessed and have to pay for the policyholder claims of insolvent insurance companies. Those companies are allowed a credit for assessments paid against current and future premium taxes due up to a maximum credit of 10 percent per year for 10 years. These credits are not assignable to another company in the event of a merger, acquisition or a contract for assumption reinsurance. Mergers, acquisitions or contracts for assumption reinsurance may result in a stronger, more solvent insurance entity and thereby afford more protection for the public. The Department of Insurance cannot order the assignment of these credits in cases involving rehabilitation or liquidation. Such ability may provide more funds to pay policyholders and creditors. This bill would permit the assignment of premium tax credits among affected insurers in the event of a merger, acquisition, contract for assumption reinsurance, or by order of the commissioner of insurance.

PURPOSE

As proposed, H.B. 1708 permits the assignment of premium tax credits among affected insurers in the event of a merger, acquisition, contract for assumption reinsurance, or by order of the commissioner of insurance.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 21, Article 21.28-C, Insurance Code, as follows:

Sec. 21. New heading: RECOGNITION OF ASSESSMENTS IN PREMIUM TAX OFFSET; ASSIGNMENT OF CREDIT. Authorizes available credit against premium tax allowed under Subsection (a) of this section to be transferred or assigned among or between insurers if a merger, acquisition, or total assumption of reinsurance among or between the insurers occurs; or the commissioner of insurance, by order, approves the transfer or assignment.

SECTION 2. Makes application of this act retroactive.

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