

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 1897  
By: Sibley  
Economic Development  
4-2-97  
Committee Report (Substituted)

### **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, C.S.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, 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. Authorizes the commissioner of insurance (commissioner) to adopt appropriate reserve standards to provide for future incurred claims in accordance with Subsection (b) of this article. Requires the 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 for accident and health claim reserves for claims incurred on or prior to the date of valuation to permit use of date of service as the date of incurral as determined by a qualified actuary in accordance with actuarial standards of practice. Authorizes the commissioner to consider adopting each current formula for establishing reserves applicable to each line of insurance recommended by the National Association of Insurance Commissioners only in accordance with Section (b) of this article. Deletes existing text regarding the Board of Insurance Commissioners and all companies writing the line of insurance.

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.

## **SUMMARY OF COMMITTEE CHANGES**

### **SECTION 1.**

Amends Article 21.39(a), Insurance Code, to authorize the commissioner of insurance to adopt certain reserve standards.

Amends Article 21.39(b), Insurance Code, to provide regulations for accident and health claim reserves standards.

Amends Article 21.39(c), Insurance Code, to delete a proposed deletion regarding the National Association of Insurance Commissioner and to make a conforming change.