

## **BILL ANALYSIS**

Senate Research Center  
80R7409 KCR-D

S.B. 1253  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Section 402.052, Insurance Code, governs the frequency of examinations by the Texas Department of Insurance (TDI) for all lines of insurance. This law requires new carriers to be examined annually during their first three years of operation while established companies are subject to an examination once every three years, or on a more frequent basis. The commissioner of insurance (commissioner) is also authorized to defer examinations to once every five years if the commissioner determines that the financial strength of a company justifies such action. TDI and the commissioner need still more flexibility in determining the frequency of examinations.

As proposed, S.B. 1253 requires TDI to examine a carrier as frequently as TDI considers necessary and at least every five years. This bill also requires the commissioner to adopt rules governing the frequency of examinations of carrier that have been organized or incorporated for less than five years.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 1 (Section 401.052, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 401.052, Insurance Code, as follows:

Sec. 401.052. FREQUENCY OF EXAMINATION. (a) Requires the Texas Department of Insurance (TDI) to visit and examine a carrier as frequently as TDI considers necessary, subject to Subsection (b) and except as provided by the rules adopted under that subsection, rather than requiring TDI to visit and examine a carrier annually during the first three years after the carrier is organized or incorporated and once every three years after such a period, or on a more frequent basis. Requires TDI, at a minimum, to examine a carrier not less frequently than once every five years.

(b) Requires the commissioner of insurance (commissioner) to adopt rules governing the frequency of examinations of carriers that have been organized or incorporated for less than five years, rather than rules governing the determination under this subsection of whether the financial strength of a carrier justifies less frequent examinations. Deletes existing text authorizing TDI to conduct the examination at intervals not less frequent than every five years if the commissioner determines that the financial strength of a carrier justifies less frequent examinations than those required under Subsection (a)(2).

SECTION 2. Effective date: September 1, 2007.