

## **BILL ANALYSIS**

Senate Research Center

S.B. 1229  
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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The 81st Texas Legislature passed H.B. 4359, which required out-of-state independent contract examiners who examine a Texas domestic insurance company on behalf of another state to register with the Texas Department of Insurance (TDI). The registration requires that the examiner provide the name of each person who will perform the examination, the name of the insurer to be examined, and a description of the issues that the person has been contracted to examine.

However, the legislation did not require the examiners to detail their invoices, which could show repetitive work, out-of-ordinary expenses, or charges incurred for travel and accommodations. In addition, they are not required to show contracts with each state to examine the same company. Some examiners may have a contingency clause awarding bonuses for certain outcomes.

S.B. 1229 amends the current statute providing for the registration of out-of-state independent contract examiners to require that they provide additional information, including an estimate of the examination costs, a copy of the contract engaging their services with the public agency, and a list of previous and similar examinations of the same insurer within the last three years. It also provides a process for TDI to acknowledge receipt of the registration by written confirmation.

As proposed, S.B. 1229 amends current law relating to the registration with the Texas Department of Insurance of certain contract examiners.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 401.107, Insurance Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Requires a person with whom another state contracts to perform any examination initiated by the other state of an insurer domiciled in this state to register with and provide certain information to the Texas Department of Insurance's (TDI) chief examiner, including an estimate of the examination costs to be charged to the insurer to be examined, a copy of any contract between the person and the state regulatory body that initiated the examination and a letter authorizing the examination, and a list of the previous examinations conducted on the same insurer on behalf of any state within the last three years. Makes nonsubstantive and conforming changes.

(a-1) Requires TDI, on accepting a person's registration under Subsection (a), to send written confirmation of the acceptance to the person, the insurer to be examined, and the state regulatory body that initiated the examination.

SECTION 2. Amends Section 751.052, Insurance Code, by amending Subsection (b) and adding Subsection (b-1), as follows:

(b) Requires a person with whom another state contracts to perform any market analysis or examination initiated by the other state of an insurer domiciled in this state to register with and provide certain information to TDI's chief examiner, including an estimate of the examination costs to be charged to the insurer to be examined; a copy of any contract between the person and the state regulatory body that initiated the examination and the letter authorizing the examination; and a list of the previous examinations conducted on the same insurer on behalf of any state within the last three years. Makes nonsubstantive and conforming changes.

(b-1) Requires TDI, on accepting a person's registration under Subsection (b), to send written confirmation of the acceptance to the person, the insurer to be examined, and the state regulatory body that initiated the examination.

SECTION 3. Amends Section 4053.107, Insurance Code, by amending Subsection (d) and adding Subsection (d-1), as follows:

(d) Requires a person with whom another state contracts to perform any examination initiated by the other state of a managing general agent licensed under this chapter to register with and provide certain information to TDI's chief examiner, including an estimate of the examination costs to be charged to the managing general agent to be examined; a copy of any contract between the person and the state regulatory body that initiated the examination and the letter authorizing the examination; and a list of the previous examinations conducted on the same managing general agent on behalf of any state within the last three years. Makes nonsubstantive and conforming changes.

(d-1) Requires TDI, on accepting a person's registration under Subsection (d), to send written confirmation of the acceptance to the person, the managing general agent to be examined, and the state regulatory body that initiated the examination.

SECTION 4. Makes application of the changes in law made by this Act to Sections 401.107, 751.052, and 4053.107, Insurance Code, prospective to September 1, 2011.

SECTION 5. Effective date: upon passage or September 1, 2011.