

BILL ANALYSIS

Senate Research Center

S.B. 1427
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, a long-standing arrangement exists in which insurers make voluntary deposits with local banks as a guarantee that claims will be paid in the event that the insurer becomes insolvent. Existing code provides for such transfers with the office of the comptroller of public accounts of the State of Texas (comptroller's office), but is unclear about insurers' ability to make deposits to private banks. Recently, the comptroller's office announced that, without a change in the law to validate insurers' arrangements with private banks, it will require that all voluntary deposits be made with the comptroller's office. However, insurers, banks, and the Texas Department of Insurance all wish to see the current arrangement continue.

S.B. 1427 codifies the practice of voluntary deposits from insurers to local banks. Insurers generally prefer this arrangement to conducting transfers with the comptroller's office, since many of the partner banks are local institutions with which the insurers have good working relationships. The banks are also in favor of this arrangement, since insurers pay a small fee to banks with which they make deposits. (Original Author's/Sponsor's Statement of Intent)

S.B. 1427 amends current law relating to authorizing an insurer's deposit of certain money and other assets with the Texas Department of Insurance.

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 Subchapter A, Chapter 423, Insurance Code, by adding Section 423.004, as follows:

Sec. 423.004. STATUTORY DEPOSITS WITH DEPARTMENT. (a) Authorizes an insurer, except as provided by Subsection (c), notwithstanding any requirement under this code that an insurer deposit with the comptroller of public accounts of the State of Texas money or other assets for the security of an insurer's policyholders or creditors, including a deposit required by another state, to deposit the required money or other assets with the Texas Department of Insurance in accordance with this section.

(b) Provides that a deposit authorized by Subsection (a):

- (1) is required to be approved by the commissioner of insurance (commissioner);
- (2) is subject to any requirements applicable to the type of deposit;
- (3) is required to be held under the commissioner's control; and
- (4) is prohibited from being substituted or withdrawn by the insurer without the commissioner's approval.

(c) Provides that this section does not apply to any deposit made under Chapter 406 (Special Deposits Required Under Potentially Hazardous Conditions) or a deposit of fees or taxes under this code.

SECTION 2. Effective date: September 1, 2015.