

CONCERNS ON SB 1449

- **Current Texas law** imposes limitations on the Texas Department of Insurance in requiring an insurer to comply with a NAIC rule, directive, or standard unless such standard is authorized by statute and approved by the Commissioner.
- Numerous provisions in Texas statutes either reference or contain language similar to NAIC rules, directives or **technical standards**. Many of the statutory provisions authorize the Commissioner to adopt rules implementing such technical standards.
- SB 1449 is amended to provide that “*Notwithstanding any other law*”...the Commissioner may not require the application of a version of a rule unless authorized by statute. Versions of a rule must be expressly adopted by statute.
- This language causes considerable uncertainty on how the TDI will comply with certain technical functions that have previously been delegated by rule. If the TDI is required to wait for the Legislature to adopt a statute, this **will impact all insurers** licensed to do business in Texas and could directly **negatively impact Texas domestic insurers**.
- Key examples of areas of Texas law where **technical** standards are implemented by rule through a statutory authorization that will create considerable uncertainty if SB 1449 becomes law include:
 - **Standards for Audited Financial Reports-Ch. 401**
 - **Penalties for Retaliatory Taxes-Ch. 281**
 - **Reserves in General-Ch. 421**
 - **Standards for Valuation of Investments-Ch. 424**
 - **Principle Based Reserves Manual for Life Insurers-Ch. 425**
 - **Annual Statement Forms and Blanks-Ch. 802**
 - **Nonforfeiture Requirements & Mortality Tables for Life Insurers-Ch. 1105**
 - **Holding Company Form B formats-Ch. 823**
 - **Own Risk Solvency Manuals-Ch. 830**
 - **Use of Interstate Compact for Policy Form Approval in Multi-States by Texas-based insurers-Ch. 5001**
- **Current law is sufficient to prevent any possible abuses by the TDI.** Some Texas statutes already specifically adopt NAIC standards. These cannot be changed without legislative action. However, SB 1449 may raise questions about whether some of these laws, even those that do not mention the NAIC but are based on NAIC model laws, may be effectively repealed by the broad language in SB 1449.
- The concepts in SB 1449 **need study** before it is passed into law. Passage without careful study could **harm Texas based domestic insurers**, the TDI, and consumers needing to buy insurance from licensed insurers.

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