

BILL ANALYSIS

Senate Research Center
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S.B. 1450
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

According to the Texas Department of Insurance (TDI) Biennial Report to the 85th Legislature, state-based insurance regulation dates back to the mid-1800s, and in 1871 state insurance regulators formed the National Association of Insurance Commissioners (NAIC) to coordinate regulation among the states.

However, the federal government is showing an increased interest in regulating insurance, as evidenced by the Affordable Care Act and the creation of the Federal Insurance Office as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

International developments may also impact Texas' authority. The Financial Stability Board, an international body that monitors and makes recommendations about the global financial system, has provided direction to the International Association of Insurance Supervisors (IAIS) to develop global insurance regulation standards, which can form the basis for subsequent federal preemption of state laws. In addition, the Federal Insurance Office and the U.S. trade representative negotiated a covered agreement with the European Union on January 13, 2017, under the outgoing presidential administration. The agreement has the potential to preempt Texas' statutory authority, if no such action is taken.

S.B. 1450 seeks to prohibit any rule set forth by the commissioner of insurance to implement an interstate, national, or international agreement that infringes on the authority of this state to regulate the business of insurance. Furthermore, the bill clarifies any such agreement would have no effect if not first approved by the state legislature.

As proposed, S.B. 1450 amends current law relating to the rulemaking authority of the commissioner of insurance with respect to certain agreements and the effect of those agreements on this state's authority to regulate insurance.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 1 (Section 36.007, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter A, Chapter 36, Insurance Code, by adding Section 36.007, as follows:

Sec. 36.007. RULES RELATING TO AGREEMENTS LIMITING STATE AUTHORITY TO REGULATE INSURANCE PROHIBITED; EFFECT OF AGREEMENT. (a) Prohibits the commissioner of insurance from adopting or enforcing a rule that implements an interstate, national, or international agreement that infringes on the authority of this state to regulate the business of insurance in this state and was not approved by the legislature.

(b) Provides that an agreement described by Subsection (a) has no effect on the authority of this state to regulate the business of insurance in this state unless the agreement is approved by the legislature.

SECTION 2. Effective date: upon passage or September 1, 2017.