Sec. 841.001. DEFINITIONS.

(1) "Accident insurance company" means a corporation authorized under a charter to engage in business involving the payment of money or another thing of value in the event of an injury to or the disablement or death of an individual as a result of travel or a general accident by land or water.

(2) "Alien company" means a life, accident, or health insurance company organized under the laws of a foreign country.

(3) "Beneficiary" is the person to whom an insurance policy is payable.

(4) "Domestic insurance company," in this chapter and another law described by Section 841.002, means an insurance company organized under the laws of this state as:

(A) a life insurance company;
(B) an accident insurance company;
(C) a life and accident insurance company;
(D) a health and accident insurance company; or
(E) a life, health, and accident insurance company.

(5) "Foreign company" means a life, accident, or health insurance company organized under the laws of another state.

(6) "Health insurance company" means a corporation authorized under a charter to engage in business involving the payment of money or another thing of value in the event of loss resulting from disability incurred as a result of sickness or ill health.

(7) "Home office," with respect to an insurance company, means the principal office of the company in the state or country under whose laws the company is organized.
"Insurance company" and "company" include all corporations engaged as a principal in the business of life, accident, or health insurance.

"Life insurance company" means a corporation authorized under a charter to engage in business involving the payment of money or another thing of value conditioned on the continuance or cessation of human life or involving an insurance, guaranty, or contract for the payment of an endowment or annuity.

"Policyholder" and "insured" mean the individual on whose life an insurance policy is effected.

"Profits," with respect to an insurance company, means the portion of the company's funds that are not:

(A) required for the payment of losses and expenses; or

(B) set aside for any other purpose required by law.

"United States branch" means:

(A) the business unit through which business is transacted within the United States by an alien company;

(B) the assets and liabilities of the company within the United States pertaining to the business;

(C) the management powers pertaining to the business and to the assets and liabilities; or

(D) any combination of the items described by Paragraphs (A)-(C).

The definitions of "company" and "insurance company" apply to this chapter and another law described by Section 841.002 unless a different meaning is plainly required by the context in which the term appears.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.002. APPLICABILITY OF CHAPTER AND OTHER LAW. Except as otherwise expressly provided by this code, each insurance company incorporated or engaging in business in this state as a life insurance company, an accident insurance company, a life and accident insurance company, a health and accident insurance company, or a life, health, and accident insurance
company is subject to:

(1) this chapter;
(2) Chapter 3;
(3) Chapters 425 and 493;
(4) Title 7;
(5) Sections 1202.051, 1204.151, 1204.153, and 1204.154;
(6) Subchapter A, Chapter 1202, Subchapters A and F, Chapter 1204, Subchapter A, Chapter 1273, Subchapters A, B, and D, Chapter 1355, and Subchapter A, Chapter 1366;
(7) Subchapter A, Chapter 1507;
(8) Chapters 1203, 1210, 1251-1254, 1301, 1351, 1354, 1359, 1364, 1368, 1505, 1651, 1652, and 1701; and
(9) Chapter 177, Local Government Code.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.
Amended by:

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2E.018, eff. April 1, 2009.
Acts 2017, 85th Leg., R.S., Ch. 594 (S.B. 1070), Sec. 3.03, eff. September 1, 2017.

Sec. 841.003. APPLICABILITY OF LAW GOVERNING CORPORATIONS. An insurance company operating under this chapter is subject to the Texas Business Corporation Act, the Texas Miscellaneous Corporation Laws Act (Article 1302-1.01 et seq., Vernon's Texas Civil Statutes), and any other law of this state that governs corporations in general to the extent those laws are not inconsistent with this chapter or another law described by Section 841.002.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.004. NET ASSETS DEFINED; RULES. (a) A company's "net assets" consist of the company's funds that are available for the payment of a company's obligations in this state, including:

(1) uncollected premiums that are not more than three months past due and deferred premiums on policies actually in force, after the deduction of:
(A) all unpaid losses and claims;
(B) all claims for losses; and
(C) all other debts, exclusive of capital stock;

and

(2) if the total value of the equipment exceeds $2,000, the value of all electronic machines that comprise a data processing system or systems and of all other office equipment, furniture, machines, and labor-saving devices purchased for and used in connection with the business of the insurance company to the extent that the total actual cash market value of those assets is less than 10 percent of the other admitted assets of the company.

(b) The commissioner may adopt rules defining electronic machines and systems, office equipment, furniture, machines, and labor-saving devices described by Subsection (a) and stating the maximum period for which each class of equipment may be amortized.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER B. FORMATION AND STRUCTURE OF DOMESTIC COMPANIES

Sec. 841.051. FORMATION OF COMPANY. (a) Three or more residents of this state may form:

(1) a life insurance company;
(2) an accident insurance company;
(3) a life and accident insurance company;
(4) a health and accident insurance company; or
(5) a life, health, and accident insurance company.

(b) To form a domestic insurance company:

(1) each incorporator must sign and acknowledge the articles of incorporation of the company; and
(2) the incorporators must file the articles of incorporation with the department.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.052. ARTICLES OF INCORPORATION. (a) Articles of incorporation of a proposed domestic insurance company must state:

(1) the name of the company;
(2) the location of the company's home office;
(3) the kinds of insurance business in which the company proposes to engage;
(4) the name and place of residence of each incorporator;
(5) the amount of the company's capital stock;
(6) the number of shares of the company's capital stock;
(7) the amount of the company's surplus; and
(8) the period of the company's duration, which may be perpetual.

(b) The incorporators of a domestic insurance company may include in the articles of incorporation other provisions that are not inconsistent with law.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.053. COMPANY NAME. (a) The name of a domestic insurance company must contain the words "Insurance Company."

(b) A domestic insurance company's name may not be so similar to the name of another domestic insurance company as to likely mislead the public.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.054. CAPITAL STOCK AND SURPLUS REQUIREMENTS. (a) A domestic insurance company must have capital stock in an amount of at least $700,000 and surplus in an amount of at least $700,000.

(b) All of the capital stock required by Subsection (a) must be fully subscribed and paid up and delivered to the incorporators before the articles of incorporation are filed.

(c) At the time of incorporation, the required capital and surplus shall consist only of:

   (1) United States currency;
   (2) bonds of the United States, this state, or a county or municipality of this state; or
   (3) government insured mortgage loans that are authorized by this chapter or Chapter 425, with not more than 50 percent of the required capital invested in first mortgage real property loans.
Sec. 841.055. SHARES OF STOCK. (a) The shares of stock of an insurance company operating under this chapter may be divided or converted into shares of stock with a par value or shares of stock without par value or into a combination of shares with or without par value.

(b) Each issued share of stock must be fully paid for and nonassessable.

(c) The insurance company by an amendment to its charter may increase or decrease the total number of shares of stock the company is authorized to issue if:

(1) shares representing at least 50 percent of the total par value of the authorized shares with a par value, if any, have been in good faith subscribed and fully paid for; and

(2) shares representing at least 50 percent of the total number of the authorized shares without a par value, if any, have been in good faith subscribed and fully paid for.

(d) Authorized but unissued shares of stock of an insurance company are not considered capital, stock, or capital stock of the company.

(e) This section and Sections 841.056 and 841.057 do not impair the charter rights of an insurance company authorized to issue shares of stock with or without a par value before September 6, 1955.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.056. REQUIREMENTS FOR SHARES OF STOCK WITH PAR VALUE. (a) The shares of stock of an insurance company operating under this chapter that are divided or converted into par value shares, if any, must have a par value of not less than $1 or more than $100.

(b) Each par value share of stock must be fully paid for before issuance in an amount that is not less than the share's par
(c) When an application for charter or an amendment to the charter authorizing the issuance of shares of stock with a par value is filed, the insurance company shall file with the department a statement under oath stating:

(1) the total number of par value shares subscribed; and

(2) the actual total consideration the company received for those shares.

(d) The shareholders of an insurance company authorizing par value shares of stock must in good faith subscribe and fully pay for shares representing at least 50 percent of the total par value of the authorized shares with a par value before the company:

(1) is granted a charter; or

(2) amends its charter to authorize the issuance of par value shares.

(e) If all of the authorized par value shares of stock are not subscribed and paid for when the charter is granted or the amendment is filed, respectively, the insurance company shall file with the department a certificate authenticated by a majority of the directors stating the total number of par value shares issued and the actual total consideration received for those shares. The company shall file the certificate not later than the 90th day after the date of issuance of those remaining shares. The company is not required to file an amendment to its charter or take further action to effect the increase in the capital and surplus of the company.

(f) The actual consideration received by an insurance company for a par value share constitutes capital to the extent of its par value and the remainder, if any, constitutes surplus.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.057. REQUIREMENTS FOR SHARES OF STOCK WITHOUT PAR VALUE. (a) The shares of stock of an insurance company operating under this chapter that are divided or converted into shares without par value, if any, must be equal in all respects.

(b) An insurance company may issue and dispose of authorized shares without par value for money or for notes, mortgages, and...
stocks in the form authorized by law for capital stock of insurance companies. Each share of stock without par value must be fully paid before issuance. After the company receives payment for a share of stock issued under this section, the share is not subject to additional call or assessment, and the subscriber or holder of the share is not required to make an additional payment with respect to the share.

(c) The shareholders of an insurance company authorizing shares of stock without par value must in good faith subscribe and pay for shares representing at least 50 percent of the authorized shares without par value before the company is granted a charter or has its charter amended to authorize the issuance of shares without par value. The total amount paid for the shares must be at least $250,000.

(d) When an application for charter or an amendment to the charter authorizing the issuance of shares without par value is filed, the insurance company shall file with the department a statement under oath stating:

(1) the number of shares without par value subscribed; and

(2) the actual consideration the company received for those shares.

(e) If all of the authorized shares of stock without par value are not subscribed and paid for when the charter is granted or the amendment is filed, respectively, the insurance company shall file with the department a certificate authenticated by a majority of the directors stating the number of shares without par value issued and the consideration received for those shares.

(f) The insurance company shall file the certificate required by Subsection (e) not later than the 90th day after the date of issuance of those remaining shares. The portion of the consideration received for shares without par value that is designated as capital by the company's directors, or by the company's shareholders if the charter or articles of incorporation reserve the right to make that determination to the shareholders, constitutes capital and the remainder, if any, constitutes surplus. The company is not required to file an amendment to its charter or
take further action to effect the increase in the capital and surplus of the company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.058. APPLICATION FOR CHARTER. (a) To obtain a charter for a domestic insurance company, the incorporators must pay to the department the charter fee in an amount determined under Chapter 202 and file with the department:

(1) an application for charter on the form and containing the information prescribed by the commissioner;

(2) the company’s articles of incorporation; and

(3) an affidavit made by two or more of the incorporators that states that:

(A) the minimum capital and surplus requirements of Section 841.054 are satisfied;

(B) the capital and surplus are the bona fide property of the company; and

(C) the information in the articles of incorporation is true and correct.

(b) The commissioner may require that the incorporators provide at their expense additional evidence of a matter required in the affidavit before the commissioner takes further action on the application for charter.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2E.020, eff. April 1, 2009.

Sec. 841.059. ACTION BY COMMISSIONER AND DEPARTMENT AFTER FILING.

(a) After the charter fee is paid and all items required for a charter under Section 841.058 are filed with the department, the department shall make or cause to be made a full and thorough examination of the domestic insurance company.

(b) The domestic insurance company shall pay for the examination under Subsection (a)(2).

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.
Amended by:
Acts 2009, 81st Leg., R.S., Ch. 1022 (H.B. 4291), Sec. 8, eff. June 19, 2009.

Sec. 841.061. ACTION ON APPLICATION. (a) In considering the application, the commissioner shall determine if:

(1) the minimum capital and surplus required by Section 841.054 are the bona fide property of the domestic insurance company;

(2) the proposed officers, directors, and managing executive of the company have sufficient insurance experience, ability, and standing to make success of the proposed company probable; and

(3) the applicants are acting in good faith.

(b) If the commissioner determines that the applicant has not met the standards set out by Subsection (a), the commissioner shall deny the application in writing, giving the reason for the denial. An application may not be granted unless it is adequately supported by competent evidence.

(b-1) On the applicant's request, the commissioner shall hold a hearing on a denial. Not later than the 30th day after the date of the applicant's request for a hearing, the commissioner shall request a hearing date.

(b-2) An interested party may participate fully and in all respects in any proceeding related to the application. An intervenor has the rights and privileges of a proper or necessary party in a civil suit in the courts of this state, including the right to be represented by counsel.

(c) If the commissioner does not deny the application under Subsection (b), the commissioner shall approve the application. On approval of an application, the department shall record the information required by Section 841.058 in records maintained for that purpose. On receipt of a fee in the amount determined under Chapter 202, the commissioner shall provide to the incorporators a certified copy of the application, articles of incorporation, and submitted affidavit.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.
Amended by:
Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2E.021, eff. April 1, 2009.
Acts 2009, 81st Leg., R.S., Ch. 1022 (H.B. 4291), Sec. 9, eff. June 19, 2009.
Acts 2009, 81st Leg., R.S., Ch. 1022 (H.B. 4291), Sec. 10, eff. June 19, 2009.

Sec. 841.062. BEGINNING OF CORPORATE EXISTENCE. On receipt of the certified copy of documents under Section 841.061(c), the domestic insurance company becomes a body politic and corporate, and the incorporators may complete organization of the company under Section 841.063.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.063. ORGANIZATION MEETING. (a) After receipt of the certified copy of documents under Section 841.061(c), the incorporators shall promptly call a meeting of the domestic insurance company's shareholders. The shareholders shall:
(1) adopt bylaws to govern the company; and
(2) elect the company's initial board of directors.

(b) The directors elected under this section serve until directors are first elected under Section 841.153.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER C. AUTHORITY TO ENGAGE IN BUSINESS

Sec. 841.101. CERTIFICATE OF AUTHORITY REQUIRED. A domestic insurance company may not engage in the business of insurance in this state, except for the lending of money, without first obtaining from the commissioner a certificate of authority that:
(1) shows that the company has fully complied with the laws of this state; and
(2) authorizes the company to engage in the business of insurance in this state.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.
Sec. 841.102. SCHEDULE OF ASSETS. Two or more officers of the domestic insurance company shall execute and file with the department:

(1) a sworn schedule of each of the assets of the company exhibited to the department during the examination under Section 841.059 showing the value of the assets; and

(2) a sworn statement that the assets are the bona fide, unconditional, and unencumbered property of the company and are worth the amount stated in the schedule.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.103. ISSUANCE OF CERTIFICATE OF AUTHORITY. (a) If the commissioner makes a determination favorable to the applicants on all issues under Section 841.061(a), the commissioner, on compliance with the requirements of Section 841.102, shall issue to the domestic insurance company a certificate of authority authorizing the company to engage in the kinds of business authorized by the company's charter.

(b) On written request of a domestic insurance company, the commissioner shall provide a certified copy of the company's certificate of authority to the company for each of the company's agents in this state.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.104. TAX PAYMENT REQUIRED FOR ISSUANCE OF CERTAIN CERTIFICATES OF AUTHORITY. (a) This section applies to a life insurance company that:

(1) has previously held a certificate of authority to engage in the business of life insurance in this state;

(2) ceased to write new business in this state under that certificate of authority; and

(3) after ceasing to write new business, continued to collect from residents of this state renewal or other premiums on policies written under that certificate of authority.

(b) A life insurance company to which this section applies may not obtain a new certificate of authority to engage in the
business of life insurance in this state until the company:

(1) files with the department under oath a report that discloses the gross amount of renewal or other premiums received each calendar year from residents of this state after the period covered by the company's last tax report of gross premium receipts filed under this code; and

(2) pays to the state occupation taxes on those premiums.

(c) The life insurance company shall pay the occupation tax for each year of nonpayment. The company shall pay the tax for each year at the same rate for that year as a company engaged in the business of life insurance in this state during that year.

(d) The life insurance company shall remit the penalties for failure to pay the taxes and file required reports when the company pays the taxes and receives a certificate of authority.

Added by Acts 2003, 78th Leg., ch. 1274, Sec. 17, eff. April 1, 2005.

SUBCHAPTER D. MANAGEMENT OF COMPANY

Sec. 841.151. CONDUCTING SHAREHOLDERS' MEETING. (a) At a meeting of a domestic insurance company's shareholders, each shareholder is entitled to one vote for each fully paid up share of stock appearing in the shareholder's name on the company's books, except to the extent that the articles of incorporation increase, limit, or deny voting rights to the holders of the shares of a class of stock as authorized by the Texas Business Corporation Act.

(b) A shareholder may vote in person or by written proxy.

(c) At a shareholders' meeting, a quorum is any number of shareholders whose cumulative stock ownership in the domestic insurance company represents a majority of the company's paid up capital stock.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.152. BOARD OF DIRECTORS. (a) Subject to the bylaws of the domestic insurance company, as adopted or amended by the shareholders or directors, the board of directors has full
management and control of the company.

(b) The board consists of not fewer than five directors. A director is not required to be a shareholder unless such a qualification is required by the articles of incorporation or bylaws of the company.

(c) The directors shall keep a full and correct record of the board's transactions. The shareholders may inspect those records during business hours.

(d) The directors shall fill a vacancy that occurs on the board or in any office of the company.

(e) A majority of the board is a quorum.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.153. ELECTION OF DIRECTORS. (a) After a domestic insurance company completes the organization of the company under Section 841.063, the company shall hold an annual meeting of the company's shareholders on the fourth Tuesday in April at the home office of the company to elect the company's board of directors.

(b) After the directors are first elected under this section, the annual meeting must be before May 1 of each year as established by the company's bylaws. The directors serve one-year terms beginning immediately after the election, except as provided by Section 841.154.

(c) If the shareholders do not elect directors at an annual meeting, the shareholders may elect the directors at a special shareholders' meeting called for that purpose.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.154. STAGGERED TERMS FOR LARGE BOARD OF DIRECTORS. (a) This section applies only to a domestic insurance company whose board of directors consists of at least nine members.

(b) The bylaws of a domestic insurance company may provide that the company's directors, other than initial directors, may be elected to serve staggered terms as provided by this section.

(c) The company's directors shall be divided into two or three classes, with each class consisting of an equal number of directors to the extent possible. After the directors are divided
into classes:

(1) the terms of the directors in the first class expire on the first annual meeting date after their initial election;

(2) the terms of the directors in the second class expire on the second annual meeting date after their initial election; and

(3) the terms of the directors in the third class, if any, expire on the third annual meeting date after their initial election.

(d) At each annual meeting after the directors are first elected, the shareholders shall elect the number of directors whose terms expire on that date. Directors are elected for:

(1) staggered two-year terms, if the board is divided into two classes; or

(2) staggered three-year terms, if the board is divided into three classes.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.155. OFFICERS. (a) A domestic insurance company's directors shall choose one of the directors to serve as the company's president.

(b) Other officers of the domestic insurance company shall be chosen in accordance with the company's bylaws. An officer is not required to be a shareholder unless such a qualification is required by the company's articles of incorporation or bylaws. An officer other than the president is not required to be a director unless such a qualification is required by the company's bylaws.

(c) The duties and compensation of a domestic insurance company's officers are as stated in the company's bylaws. If the bylaws do not state the duties or compensation of the officers, the directors shall establish the duties or compensation.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.156. AMENDMENT OF CHARTER OR ARTICLES. (a) The shareholders of a domestic insurance company by resolution may amend the company's charter or articles of incorporation at any
shareholders' meeting.

(b) The amendment and a copy of the resolution certified by the president and secretary of the domestic insurance company shall be filed and recorded in the same manner as the charter.

(c) An amendment of the charter or articles takes effect when it is recorded.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER E. CAPITAL AND SURPLUS

Sec. 841.201. FORM OF REQUIRED CAPITAL AND SURPLUS. Notwithstanding any other provision of this code, after a charter is granted under this chapter, the domestic insurance company:

(1) shall maintain the company's minimum capital at all times in a form described by Section 841.054(c); and

(2) may invest the company's surplus as provided by this code.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.202. AUTHORIZED SHARES. (a) At any shareholders' meeting, shareholders of a domestic insurance company whose cumulative stock ownership represents a majority of the capital stock of the company by resolution may increase or decrease the amount of the company's capital stock, subject to this section.

(b) Capital stock may never be decreased to an amount that is less than the minimum amount of paid-up stock required by Section 841.054.

(c) Two officers of the domestic insurance company must sign and acknowledge a statement of the increase or decrease. The acknowledged statement and a certified copy of the resolution shall be filed and recorded in the same manner as the charter.

(d) For an increase or decrease of capital stock, the domestic insurance company may require the return of the original certificates evidencing the stock in exchange for new certificates. An issuance of new certificates that results in a transfer of stock is subject to Section 841.254.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.
Sec. 841.203. COMPANY'S REPURCHASE OF STOCK. (a) A legal reserve life insurance company may purchase in the name of the company outstanding shares of the company's capital stock as provided by the Texas Business Corporation Act.

(b) A purchase of stock under this section is not considered an investment and does not violate the provisions of this code relating to eligible investments for a legal reserve life insurance company.

(c) A legal reserve life insurance company that purchases stock under this section shall file with the department not later than the 10th day after the date of the purchase a statement that contains:

(1) the name of each shareholder from whom the shares were purchased; and

(2) the sum of money paid for those shares.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.204. EXEMPTION FROM REQUIRED INCREASE OF CAPITAL AND SURPLUS. (a) Except as otherwise provided by this chapter, a domestic insurance company that after September 1, 1991, had less than the minimum amount of capital and surplus required for a newly incorporated company under Section 841.054 may continue to transact the kinds of business for which it holds a certificate of authority.

(b) The insurance company shall immediately increase the amount of its capital to the required amount of capital under Section 841.054 if there is:

(1) a change in the control of at least 50 percent of the voting securities of the insurance company;

(2) a change in the control of at least 50 percent of the voting securities of a holding company controlling the insurance company; or

(3) a change in control of at least 50 percent by any other method of control if the insurance company or holding company is not controlled by voting securities.

(c) For purposes of Subsection (b), a transfer of ownership that occurs because of death, regardless of whether the decedent
died testate or intestate, may not be considered a change in the control of an insurance company or holding company if ownership is transferred solely to one or more individuals, each of whom would be an heir of the decedent if the decedent had died intestate.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.205. COMMISSIONER MAY REQUIRE LARGER CAPITAL AND SURPLUS AMOUNTS. (a) The commissioner by rule or guideline may require a domestic insurance company that writes or assumes a life insurance or annuity contract or assumes liability on or indemnifies one person for any risk under an accident and health insurance policy, or a combination of these policies, in an amount that exceeds $10,000, to maintain capital and surplus in amounts that exceed the minimum amounts required by this chapter because of:

1. the nature and kind of risks the company underwrites or reinsures;
2. the premium volume of risks the company underwrites or reinsures;
3. the composition, quality, duration, or liquidity of the company's investment portfolio;
4. fluctuations in the market value of securities the company holds; or
5. the adequacy of the company's reserves.

(b) A rule adopted under Subsection (a) must be designed to ensure the financial solvency of an insurance company for the protection of policyholders but may not require that the total admitted assets of a company exceed 106 percent of its total liabilities.

(c) A fraternal benefit society operating under Chapter 885 and a mutual life insurance company operating under Chapter 882 are subject to a rule adopted under this section.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.206. IMPAIRMENT OF CAPITAL AND SURPLUS. (a) An insurance company incorporated or authorized to do the lines of business authorized in this chapter may not have:
(1) the company's required capital impaired;
(2) more than 90 percent of the company's required minimum surplus impaired; or
(3) the surplus required under Section 841.205 impaired.

(b) If the commissioner determines that an insurance company's capital or surplus is impaired in violation of this section, the commissioner shall:

(1) order the company to immediately reduce the level of impairment to an acceptable level of impairment as specified by the commissioner or prohibit the company from engaging in the business of insurance in this state; and

(2) begin proceedings as necessary to determine any further actions with respect to the impairment.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003. Amended by:

Acts 2005, 79th Leg., Ch. 728 (H.B. 2018), Sec. 11.021, eff. September 1, 2005.

Sec. 841.207. ACTIONS OF COMMISSIONER WHEN CAPITAL AND SURPLUS REQUIREMENTS NOT SATISFIED. If an insurance company does not comply with the capital and surplus requirements of this chapter, the commissioner may order the insurance company to cease writing new business and may:

(1) place the insurance company under state supervision or conservatorship;

(2) declare the insurance company to be in a hazardous condition as provided by Subchapter A, Chapter 404;

(3) declare the insurance company to be impaired as provided by Section 841.206; or

(4) apply to the insurance company any other applicable sanction provided by this code.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003. Amended by:

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2E.022, eff. April 1, 2009.
Sec. 841.251. EVIDENCE OF EXPENDITURES. (a) A domestic insurance company may not make an expenditure of $100 or more unless the expenditure is evidenced by a voucher that:

(1) is signed by or on behalf of the individual, firm, or corporation that receives the money; and

(2) describes the consideration received for the payment correctly.

(b) For an expenditure for both services and disbursements, the voucher must state the services rendered and disbursement made.

(c) For an expenditure related to a matter pending before a legislature or public body or a department or officer of a state or government, the voucher must describe both the nature of the matter and the interest of the company in the matter correctly.

(d) If the domestic insurance company cannot obtain a voucher as required by this section, the expenditure must be evidenced by:

(1) a paid check; or

(2) an affidavit that:

(A) describes the nature and purpose of the expenditure; and

(B) states the reason the voucher was not obtained.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.252. PAYMENTS TO OFFICERS, DIRECTORS, AND EMPLOYEES. (a) Unless first authorized by a vote of a domestic insurance company's board of directors or a committee of the board that has the duty to authorize the payments, the company may not pay any compensation or emolument in an amount that, when added to any compensation or emolument paid to the person by an affiliated domestic insurance company, exceeds $150,000 in any year to an individual, firm, or corporation, including an officer or director of the company.

(b) Subsection (a) does not prevent a domestic insurance company from contracting with its agents for the payment of renewal
commissions.

(c) The shareholders of a domestic insurance company may authorize the creation of one or more plans for the payment of pensions, retirement benefits, or group insurance for the company's officers and employees. The shareholders may delegate to the company's board of directors the power and duty to prepare, effect, finally approve, administer, and amend a plan.

(d) A mutual insurance company, acting through the company's policyholders, may exercise the same discretion, and has the same powers, privileges, and rights, as are conferred on a domestic insurance company under Subsection (c).

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.
Amended by:

Acts 2009, 81st Leg., R.S., Ch. 94 (H.B. 651), Sec. 1, eff. September 1, 2009.

Sec. 841.253. LIFE INSURANCE COMPANY'S PAYMENT OF DIVIDENDS. (a) A life insurance company may declare or pay a dividend to its:

(1) policyholders only from the expense loading and profits made by the company; and

(2) shareholders only from the company's earned surplus, as defined by the commissioner.

(b) A life insurance company that is not showing a profit may pay a dividend on its participating policies from the expense loading on those policies.

(c) A life insurance company may not discriminate between policyholders in paying a dividend from the expense loading under this section.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.254. TRANSFER OF STOCK. (a) A domestic insurance company's shares of stock are transferrable on the company's books, in accordance with law and the bylaws of the company, by the owner or the owner's authorized agent.

(b) Each person who becomes a shareholder by a transfer of shares succeeds to all rights of the former holder of those shares,
by reason of that ownership.
Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.255. ANNUAL STATEMENT; FILING FEE. (a) Not later
than March 1 of each year, a domestic insurance company shall:
(1) prepare a statement showing the condition of the
company on December 31 of the preceding year; and
(2) deliver the statement to the department
accompanied by a filing fee in the amount determined under Chapter
202.
(b) The statement must be under oath of two of the domestic
insurance company's officers and show in detail:
(1) the character of the company's assets and
liabilities on December 31 of the preceding year;
(2) the amount and character of business transacted
and money received during the preceding year;
(3) how money was spent during the preceding year;
(4) the number and amount of the company's policies in
force in this state on that date; and
(5) the total amount of the company's policies in force
on that date.
Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.
Amended by:
Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2E.023,
eff. April 1, 2009.

Sec. 841.256. BUSINESS IN SEPARATE DEPARTMENTS OF DOMESTIC
INSURANCE COMPANY. A domestic insurance company may not transact
more than one of the kinds of insurance business described by
Section 841.051(a) unless the company establishes separate
departments to transact each kind of business.
Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.257. KINDS OF BUSINESS LIMITED. An insurance
company authorized to engage in the business of insurance under
this chapter or in accordance with Section 982.051 may not accept a
risk or write an insurance policy in this state or any other state
or country other than:

(1) a life, accident, or health insurance policy;

(2) reinsurance under Chapter 493 by a life insurance company authorized to engage in the business of insurance in this state; or

(3) reinsurance under Chapter 494 by a domestic insurance company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003. Amended by:

Acts 2005, 79th Leg., Ch. 728 (H.B. 2018), Sec. 11.022, eff. September 1, 2005.

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2E.024, eff. April 1, 2009.

Acts 2017, 85th Leg., R.S., Ch. 594 (S.B. 1070), Sec. 3.04, eff. September 1, 2017.

Sec. 841.258. AGENTS FOR COMPANY THAT CEASES WRITING NEW BUSINESS. An insurance company that ceases to write new business in this state may maintain in this state agents to collect renewal premiums on outstanding policies the company has written under its certificate of authority.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003. Amended by:

Acts 2005, 79th Leg., Ch. 728 (H.B. 2018), Sec. 11.022, eff. September 1, 2005.

Sec. 841.259. ACTIVITIES OF DIRECTORS AND OFFICERS. (a) A director or officer of an insurance company may not:

(1) receive money or another valuable thing for negotiating, procuring, recommending, or aiding in a purchase or sale of property by or a loan from the company; or

(2) have a pecuniary interest, as a principal, coprincipal, agent, or beneficiary, in a purchase, sale, or loan described by Subdivision (1).

(b) This section does not prohibit:

(1) a life insurance company from making a loan to a policyholder in an amount that is not greater than the reserve value
of the policy; or

(2) a transaction, purchase, sale, or loan approved by the commissioner under Subchapter A of Chapter 805 or Chapter 823.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.260. PROHIBITED COMMISSIONS. (a) In this section, "contingent compensation" means a commission or other compensation an insurance company pays to a person that is contingent on:

(1) the writing or procurement of an insurance policy in the company;

(2) the procurement of an application for an insurance policy in the company;

(3) the payment of a renewal premium; or

(4) the assumption of an insurance risk by the company.

(b) A life insurance company that engages in the business of insurance in this state may not, directly or indirectly, pay or contract to pay a contingent compensation to:

(1) the president, vice president, secretary, or treasurer of the company;

(2) any other officer of the company, other than an agent or solicitor;

(3) an actuary of the company; or

(4) a medical director or other physician of the company whose duty is to examine risks or applications for insurance for the company.

(c) This section does not prohibit a plan of compensation to a marketing officer according to the total amount of insurance the insurance company writes or to the total amount of insurance in force with the insurance company during a specified period if:

(1) the commissioner approves the plan under Subchapter A, Chapter 805;

(2) the marketing officer is not responsible for underwriting, rating, or otherwise approving the acceptability of insurance risks; and

(3) the plan does not compensate the marketing officer.
according to commissions on individual sales of any insurance product.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.261. CAUSES OF ACTION. (a) A domestic insurance company may bring an action against any person, including a policyholder or shareholder of the company, for any cause related to the company's business.

(b) A policyholder or an heir or legal representative of a policyholder may bring an action against a domestic insurance company for a loss that accrues on a policy.

(c) An action enjoining, restraining, or interfering with the prosecution of a domestic insurance company's business may be brought only by the department.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER G. ISSUANCE OF POLICIES

Sec. 841.301. LIMITS ON AMOUNT OF ACCIDENT AND HEALTH INSURANCE POLICIES. (a) A domestic insurance company may not assume liability on or indemnify one person for any risk under one or more accident, health, or hospitalization insurance policies, or a combination of those policies, in an amount that exceeds $10,000, unless the amount of the issued, outstanding, and stated capital of the company is at least equal to the minimum amount of capital required for a newly incorporated company under Section 841.054.

(b) A domestic insurance company that before January 1, 2002, ceases to write or assume liability on, or indemnify any risk under, a policy described by Subsection (a) in the amount specified by Subsection (a) and notifies the commissioner of that action is exempt from the requirements of Subsection (a) until the date the company resumes writing those policies. A company that resumes assuming liability on or indemnifying risks under those policies shall comply with Subsections (a) and (c).

(c) A domestic insurance company that is exempt under Subsection (b) shall maintain its issued, outstanding, and stated capital in an amount that is at least $100,000 and is at least:
(1) the amount of capital held by the company on December 31, 1991, plus 10 percent of the difference between that amount and an amount equal to the minimum amount of capital required for a newly incorporated company under Section 841.054, if the last date that the company writes a policy described by Subsection (a) is during 1993;

(2) the amount of capital held by the company on December 31, 1991, plus 20 percent of the difference between that amount and an amount equal to the minimum amount of capital required for a newly incorporated company under Section 841.054, if the last date that the company writes a policy described by Subsection (a) is during 1994;

(3) the amount of capital held by the company on December 31, 1991, plus 30 percent of the difference between that amount and an amount equal to the minimum amount of capital required for a newly incorporated company under Section 841.054, if the last date that the company writes a policy described by Subsection (a) is during 1995;

(4) the amount of capital held by the company on December 31, 1991, plus 40 percent of the difference between that amount and an amount equal to the minimum amount of capital required for a newly incorporated company under Section 841.054, if the last date that the company writes a policy described by Subsection (a) is during 1996;

(5) the amount of capital held by the company on December 31, 1991, plus 50 percent of the difference between that amount and an amount equal to the minimum amount of capital required for a newly incorporated company under Section 841.054, if the last date that the company writes a policy described by Subsection (a) is during 1997;

(6) the amount of capital held by the company on December 31, 1991, plus 60 percent of the difference between that amount and an amount equal to the minimum amount of capital required for a newly incorporated company under Section 841.054, if the last date that the company writes a policy described by Subsection (a) is during 1998;

(7) the amount of capital held by the company on
December 31, 1991, plus 70 percent of the difference between that amount and an amount equal to the minimum amount of capital required for a newly incorporated company under Section 841.054, if the last date that the company writes a policy described by Subsection (a) is during 1999;

(8) the amount of capital held by the company on December 31, 1991, plus 80 percent of the difference between that amount and an amount equal to the minimum amount of capital required for a newly incorporated company under Section 841.054, if the last date that the company writes a policy described by Subsection (a) is during 2000; and

(9) the amount of capital held by the company on December 31, 1991, plus 90 percent of the difference between that amount and an amount equal to the minimum amount of capital required for a newly incorporated company under Section 841.054, if the last date that the company writes a policy described by Subsection (a) is during 2001.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.302. LIMITS ON LIFE OR ACCIDENTAL DEATH INSURANCE.

(a) Until the amount of the capital and surplus of a domestic insurance company is at least $100,000, the company may not insure any one life for more than $20,000 in the event of death from natural causes or more than $40,000 in the event of death from accidental causes.

(b) If the net capital and surplus of a domestic insurance company is at least $75,001 but less than $100,000, the company, for any policy issued by the company, shall reinsure the amount of the benefit that exceeds $4,000 in the event of death from natural causes and the amount of the benefit that exceeds $8,000 in the event of death from accidental causes.

(c) If the net capital and surplus of a domestic insurance company is at least $50,001 but less than $75,001, the company, for any policy issued by the company, shall reinsure the amount of the benefit that exceeds $3,000 in the event of death from natural causes and the amount of the benefit that exceeds $6,000 in the event of death from accidental causes.
(d) If the net capital and surplus of a domestic insurance company is at least $35,001 but less than $50,001, the company, for any policy issued by the company, shall reinsure the amount of the benefit that exceeds $2,000 in the event of death from natural causes and the amount of the benefit that exceeds $4,000 in the event of death from accidental causes.

(e) If the net capital and surplus of a domestic insurance company is $35,000 or less, the company, for any policy issued by the company, shall reinsure the amount of the benefit that exceeds $1,000 in the event of death from natural causes and the amount of the benefit that exceeds $2,000 in the event of death from accidental causes.

(f) Benefits under this section must be reinsured with a legal reserve company that is authorized to engage in the business of insurance in this state.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.303. ENTIRE CONTRACT. Each policy of insurance issued or delivered in this state by any life insurance company engaged in business in this state constitutes the entire contract between the parties, except that if the application is made a part of the contract, the policy and the application constitute the entire contract.

Redesignated from Insurance Code Sec. 1101.003(a) and amended by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.204(a), eff. Sept. 1, 2003.

SUBCHAPTER H. DEPOSIT OF SECURITIES

Sec. 841.351. DEPOSIT WITH COMPTROLLER. (a) A domestic insurance company may, at its option, deposit with the comptroller either:

(1) securities in which the company's capital stock is invested; or

(2) securities in an amount equal to the amount of the company's capital stock.

(b) Securities deposited under Subsection (a) must be securities of a class authorized by the laws of this state for...
investments of a domestic insurance company's capital stock.

(c) A domestic insurance company may, at its option, withdraw a deposit made under Subsection (a), or any portion of the deposit, after substituting a deposit of securities of a like class and of an amount and value equal to the withdrawn deposit or portion of deposit.

(d) The commissioner must first approve any securities deposited or being substituted under this section.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.352. ISSUANCE OF RECEIPT FOR DEPOSIT. When a domestic insurance company deposits securities under this subchapter, the comptroller shall issue to the company a receipt that:

(1) describes the deposit in a manner that identifies the securities; and

(2) states that the securities are held on deposit as capital stock investments of the company.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.353. ADVERTISEMENT OF DEPOSIT. A domestic insurance company that makes a deposit under this subchapter may:

(1) advertise the fact that a deposit has been made; or

(2) print a copy of the receipt for the deposit on any policy the company issues.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.354. ACCESS TO DEPOSIT. In accordance with reasonable rules adopted by the comptroller and the commissioner, the proper officer or agent of a domestic insurance company making a deposit of securities under this subchapter may at a reasonable time:

(1) examine the deposit;

(2) detach coupons from the securities; and

(3) collect interest on the deposit.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.
Sec. 841.355. WITHDRAWAL OF DEPOSIT AFTER MERGER, CONSOLIDATION, OR TOTAL REINSURANCE. (a) When two or more domestic insurance companies that have two or more deposits of securities under this subchapter merge, consolidate, or enter into a total reinsurance contract by which the ceding company is dissolved and its assets and liabilities are acquired or assumed by the surviving company, the new, surviving, or reinsuring insurance company, on approval of the commissioner, may withdraw all of the deposits, except for the deposit of the greatest amount and value. The new, surviving, or reinsuring insurance company must demonstrate to the commissioner that the company is the owner of the deposited securities before the commissioner approves the withdrawal of those securities.

(b) In accordance with an order of the commissioner approving a withdrawal of securities under this section, the comptroller shall release, transfer, and deliver the withdrawn securities to their owner.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.356. SITUS OF DEPOSIT FOR TAX PURPOSES. For purposes of state, county, or municipal taxation, the situs of deposited securities is the municipality and county in which the depositing company's home office is located.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.357. MAINTENANCE OF DEPOSIT. A domestic insurance company must maintain a deposit of securities under this subchapter as long as the company has outstanding any liability to a policyholder in this state.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER I. LIMITED PURPOSE SUBSIDIARY LIFE INSURANCE COMPANIES

Sec. 841.401. PURPOSE. The purpose of this subchapter is to authorize the establishment of domestic limited purpose subsidiary life insurance companies to enable those companies to
support excess reserves for certain life insurance policies.
Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.402. DEFINITIONS. In this subchapter:
(1) "Affiliated company" means:
(A) domestic life insurance companies that are directly or indirectly wholly owned subsidiaries of the same holding company; or
(B) controlled persons.
(2) "Appointed actuary" means the actuary who is appointed by a limited purpose subsidiary life insurance company to render the actuarial opinion required by Subchapter B, Chapter 425.
(3) "Ceding insurer" means a company that cedes risk to a limited purpose subsidiary life insurance company under a reinsurance contract and that is:
(A) a domestic life insurance company that is the parent of a limited purpose subsidiary life insurance company; or
(B) an affiliated company of a limited purpose subsidiary life insurance company.
(4) "Controlled person" means a person organized or authorized to do business under the laws of this state that is controlled directly or indirectly by a holding company.
(5) "Excess reserves" means the amount of statutory reserves determined to be redundant by the appointed actuary for life insurance policies whose reserves are calculated under 28 T.A.C. Chapter 3, Subchapter EE. Excess reserves may not be an amount greater than the difference between the reserves calculated using 28 T.A.C. Chapter 3, Subchapter EE, and the reserves calculated using generally accepted accounting principles.
(6) "Guarantor" means a holding company or an affiliated company under Section 841.417 of the limited purpose subsidiary life insurance company that is a party to a guaranty.
(7) "Guaranty" means a commissioner-approved agreement by a guarantor with sufficient equity and financial strength to pay, during the life of the guaranty, an amount equal to the specified obligations of a limited purpose subsidiary life
insurance company, less the equity of all ceding insurers that are
subsidiaries of the guarantor, to satisfy the agreement.

(8) "Holding company" means a person that directly or
indirectly controls an insurer.

(9) "Insurer" means a domestic life insurance company
organized under this chapter.

(10) "Letter of credit" means a clean, unconditional,
irrevocable letter of credit issued or confirmed by a qualified
United States financial institution, as defined by Section
493.104(b)(2)(C).

(11) "Limited purpose subsidiary life insurance
company" means a limited purpose subsidiary life insurance company
organized under this subchapter:

(A) that is wholly owned by a life insurance
company or an affiliated company; and

(B) to which the commissioner issues a
certificate of authority under this chapter.

(12) "Material transaction" means a transaction or
series of transactions involving amounts equal to or exceeding
three percent of a limited purpose subsidiary life insurance
company's admitted assets.

(13) "Organizational document" means a limited
purpose subsidiary life insurance company's articles of
incorporation and the company's bylaws.

(14) "Organizing company" means the company that
organizes a limited purpose subsidiary life insurance company under
this subchapter.

(15) "Parent" means a person that directly or
indirectly controls through one or more intermediaries, or wholly
owns, a limited purpose subsidiary life insurance company.

(16) "Person" has the meaning assigned by Section
823.002.

(17) "Reinsurance contract" means a contract between a
limited purpose subsidiary life insurance company and a ceding
insurer under which the limited purpose subsidiary life insurance
company agrees to provide reinsurance to the ceding insurer for
certain risks.
(18) "Risk" means a risk associated with life insurance policies written on or after the effective date of this chapter by a ceding insurer, or assumed by a ceding insurer from an affiliated company under life insurance policies which were written on or after the effective date of this chapter, by the affiliated company and for which the ceding insurer calculates statutory reserves for those policies pursuant to 28 T.A.C. Chapter 3, Subchapter EE.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 594 (S.B. 1070), Sec. 3.05, eff. September 1, 2017.

Sec. 841.403. ORGANIZATIONAL DOCUMENTS. (a) A wholly owned domestic insurer authorized to transact the business of insurance under this chapter or an affiliated company organized or authorized to conduct business under the laws of this state may organize a limited purpose subsidiary life insurance company under this subchapter.

(b) A limited purpose subsidiary life insurance company may reinsure risks of the organizing company and of an affiliated company.

(c) A limited purpose subsidiary life insurance company's organizational documents must:

(1) limit the company's authority to transact the business of insurance to reinsuring only the risks of a ceding insurer;

(2) provide that the limited purpose subsidiary life insurance company may not otherwise engage in the business of insurance; and

(3) provide that the limited purpose subsidiary life insurance company must always be wholly owned by a domestic insurer authorized to transact the business of insurance under this chapter or by an affiliated company organized or authorized to do business under the laws of this state.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1,
Sec. 841.404. CERTIFICATE OF AUTHORITY REQUIRED. A limited purpose subsidiary life insurance company may not engage in the business of reinsurance in this state unless the limited purpose subsidiary life insurance company obtains from the commissioner a certificate of authority under this subchapter.
Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.405. APPLICATION FOR CERTIFICATE OF AUTHORITY. To obtain a charter for a limited purpose subsidiary life insurance company, the incorporators of the company shall pay to the department a charter fee in an amount determined under Chapter 202 and file with the department:

(1) an application for charter on the form prescribed by, and containing the information prescribed by, the commissioner;

(2) the company's articles of incorporation;

(3) an affidavit made by the company's president, vice president, treasurer, or chief financial officer stating that:

(A) the minimum capital and surplus requirements of this subchapter are satisfied;

(B) the capital and surplus are the bona fide property of the company;

(C) the information in the articles of incorporation is true and correct;

(D) the proposed organization and operation of the limited purpose subsidiary life insurance company comply with all applicable provisions of this subchapter;

(E) the limited purpose subsidiary life insurance company's investment policy reflects and takes into account the liquidity of assets and the reasonable preservation, administration, and management of those assets with respect to the risks associated with the reinsurance contract; and

(F) any reinsurance contract and any arrangement for securing the limited purpose subsidiary life insurance company's obligations under the reinsurance contract, including
any agreements or other documentation to implement the arrangement;

(4) a business plan that includes pro forma financial statement projections that demonstrate how the limited purpose subsidiary life insurance company will comply with Section 841.412;

(5) a copy of any proposed guaranty that demonstrates how compliance with Sections 841.412 and 841.417 will be achieved;

(6) an opinion of a qualified independent actuary acceptable to the commissioner that the methodology and assumptions used to set and discount reserves make good and sufficient provision for the risk assumed by the limited purpose subsidiary life insurance company, including significant stress tests on key assumptions; and

(7) any other statement or document required by the commissioner to evaluate the limited purpose subsidiary life insurance company's application for a certificate of authority.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.406. INVESTMENT OF CERTAIN SURPLUS BY ORGANIZING COMPANY. If the company that organizes a limited purpose subsidiary life insurance company is a domestic life insurance company, the organizing company may invest funds from the organizing company's surplus in the limited purpose subsidiary life insurance company.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.407. OFFICERS AND DIRECTORS. The officers and directors of a company that organizes a limited purpose subsidiary life insurance company may serve as officers and directors of the limited purpose subsidiary life insurance company.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.408. ISSUANCE OF CERTIFICATE OF AUTHORITY. (a) The commissioner may issue a certificate of authority to a limited purpose subsidiary life insurance company, authorizing the
company to transact reinsurance business in this state as a limited purpose subsidiary life insurance company based on a finding that:

(1) the company's application meets the criteria contained in this subsection;

(2) the proposed plan of the limited purpose subsidiary life insurance company provides for viable operation of the company, including a determination by the commissioner that the limited purpose subsidiary life insurance company applicant has sufficiently strong financial support;

(3) the guaranties meet the requirements of Section 841.417;

(4) the terms of any reinsurance arrangement, including the reinsurance contract and related transactions, comply with this subchapter and all applicable insurance laws and rules;

(5) the proposed application and reinsurance arrangement is not hazardous to any ceding insurer; and

(6) the proposed application and reinsurance contract will always fund authorized investments that comply with Section 841.412, including statutory reserves for life insurance with invested assets at least equal to the amount of reserves required under generally accepted accounting principles.

(b) In conjunction with the issuance of a certificate of authority under this section, the commissioner may issue an order that includes any provisions, terms, and conditions regarding the organization, licensing, and operation of the limited purpose subsidiary life insurance company that the commissioner deems appropriate and that are not inconsistent with this chapter, including requesting from the company information to monitor the financial strength of guarantors and requiring the periodic reporting and monitoring of assets behind any guaranties issued.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.409. SCOPE OF CERTIFICATE OF AUTHORITY. (a) A limited purpose subsidiary life insurance company that has been issued a certificate of authority may reinsure only the risks of a
ceeding insurer. A limited purpose subsidiary life insurance company may not otherwise engage in the business of insurance.

(b) A limited purpose subsidiary life insurance company may purchase reinsurance to cede the risks assumed under a reinsurance contract.

(c) A limited purpose subsidiary life insurance company organized under this subchapter is considered to be licensed to transact the business of reinsurance for the purposes of Section 493.051, but may only reinsure risks of the company's affiliated companies.

(d) A limited purpose subsidiary life insurance company shall provide the commissioner with notice of any change in the company's business plan required by Section 841.405, including any material change in the methods used to comply with Section 841.413.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.
Amended by:
Acts 2017, 85th Leg., R.S., Ch. 594 (S.B. 1070), Sec. 3.06, eff. September 1, 2017.

Sec. 841.410. CAPITAL AND SURPLUS. (a) The commissioner may not issue a certificate of authority to a limited purpose subsidiary life insurance company unless the company possesses and maintains unimpaired paid-in capital and surplus of not less than $10 million.

(b) A limited purpose subsidiary life insurance company shall comply with the risk-based capital requirements adopted by the commissioner by rule.

(c) A limited purpose subsidiary life insurance company shall maintain risk-based capital in an amount that is at least equal to 300 percent of the authorized control level of risk-based capital adopted by the commissioner.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.411. FORECLOSURE ON COLLATERAL. A limited purpose subsidiary life insurance company shall immediately notify the
commissioner of any action by a ceding insurer or any other person to foreclose on, or otherwise take possession of, collateral provided by the limited purpose subsidiary life insurance company to secure an obligation of the company.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.412. MINIMUM AUTHORIZED INVESTMENT REQUIREMENT AFTER CREDIT FOR REINSURANCE; LETTERS OF CREDIT; GUARANTIES.

(a) A limited purpose subsidiary life insurance company shall hold investments authorized under Subchapters C and D, Chapter 425, exclusive of investments in affiliates, in an amount that at least equals the sum of:

(1) the minimum capital and surplus requirements of Section 841.410;

(2) the risk-based capital requirements adopted by the commissioner; and

(3) reserves calculated using generally accepted accounting principles.

(b) Subject to compliance with Subsection (a) and notwithstanding Chapter 425, a limited purpose subsidiary life insurance company may reduce the amount of the company's excess reserves on account of:

(1) reinsurance that complies with Chapter 493;

(2) a letter of credit that complies with Section 493.104(b)(2)(C); or

(3) guaranties from a holding company or an affiliated company as provided by Section 841.417.

(c) Notwithstanding Subsection (b), a limited purpose subsidiary life insurance company may hold guaranties from a holding company or an affiliated company as provided by Section 841.417 as an admitted asset with an offsetting increase in special surplus funds to support excess reserves only.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 594 (S.B. 1070), Sec. 3.07,
Sec. 841.413. PERMITTED REINSURANCE. (a) A limited purpose subsidiary life insurance company may only reinsure the risks of a ceding insurer under a reinsurance contract.

(b) Unless otherwise approved in advance by the commissioner, a limited purpose subsidiary life insurance company may not assume or retain exposure to reinsurance losses for the company’s own account that are not funded by:

(1) premium and other amounts payable by the ceding insurer to the limited purpose subsidiary life insurance company under the reinsurance contract, or any return on the investment of the premiums or other amounts;

(2) letters of credit that qualify under Section 493.104(b)(2)(C); or

(3) guaranties of a holding company or an affiliated company as provided by Section 841.417.

(c) A limited purpose subsidiary life insurance company may cede risks assumed under a reinsurance contract to one or more reinsurers through the purchase of reinsurance, subject to the prior approval of the commissioner. The commissioner may approve a reinsurance contract under this subsection if the commissioner finds that:

(1) the proposed reinsurance complies with Chapter 493;

(2) the proposed reinsurer has sufficient liquidity, admitted assets, and policyholder surplus to support the liabilities assumed under the reinsurance contract; and

(3) the proposed reinsurance contract would not result in a hazardous financial condition for the limited purpose subsidiary life insurance company.

(d) A limited purpose subsidiary life insurance company may enter into contracts and conduct other commercial activities related or incidental to, and necessary to fulfill the purposes of, a reinsurance contract.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.
Sec. 841.414. REPORTS ON RESERVES AND RISK-BASED CAPITAL. (a) A limited purpose subsidiary life insurance company annually shall file an opinion of the appointed actuary acceptable to the commissioner concerning the methods and assumptions used to set reserves. The opinion must demonstrate that the limited purpose subsidiary life insurance company holds risk-based capital and invested admitted assets that are at least equal to reserves specified by generally accepted accounting principles.

(b) The commissioner may reject the opinion of the appointed actuary if the commissioner determines that accepting the opinion would be hazardous to policyholders, enrollees, creditors, or the public.

(c) A limited purpose subsidiary life insurance company annually shall file with the commissioner a report of the limited purpose subsidiary life insurance company's risk-based capital level as of the end of the preceding calendar year containing the information required by the risk-based capital instructions adopted by the commissioner.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.415. OTHER LAWS NOT APPLICABLE. The deposit requirements in Subchapter H do not apply to a limited purpose subsidiary life insurance company.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.416. APPLICABILITY OF OTHER LAW. Except as specifically provided by law, all provisions of this code apply to a limited purpose subsidiary life insurance company formed under this subchapter.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.
Sec. 841.417. GUARANTY REQUIREMENTS. (a) A guaranty may not be used to comply with this chapter without the prior written approval of the commissioner.

(b) Before approving a guaranty, the commissioner must find that:

(1) the guarantor has capital and surplus of $100 million, exclusive of investments in subsidiaries and affiliates;

(2) the guarantor has admitted assets backing capital and surplus in an amount sufficient to fulfill the guaranty, and the sufficiency on an ongoing basis is demonstrated to the satisfaction of the commissioner;

(3) the guarantor and all affiliates are in good standing with the department;

(4) the guarantor has provided all information requested by the commissioner; and

(5) the guarantor is otherwise acceptable to the commissioner.

(c) Notwithstanding Subsection (b), the commissioner may allow, subject to the commissioner's prior approval, an affiliated company of the holding company to serve as guarantor. The commissioner may approve an affiliated company as a guarantor on a finding that the affiliated company possesses the independent financial means to discharge the guaranty using the affiliated company's own financial resources.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.418. SUNSET PROVISION. This subchapter is valid for business sold only until January 1 of the year in which principle-based reserve requirements become operative in Texas under the adoption of the National Association of Insurance Commissioners' 2009 amendments to the NAIC Model Standard Valuation Law. After that January 1, the limited purpose subsidiary life insurance company may not assume new risks of a ceding insurer relating to business sold after that date.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1,
Sec. 841.419. CERTIFICATION OF ACTUARIAL OFFICER. (a) At the time a limited purpose subsidiary life insurance company files an application for a certificate of authority under this subchapter, and not later than March 1 of each year that a limited purpose subsidiary life insurance company is in operation and is ceded new business from a ceding insurer, a senior actuarial officer of each ceding insurer shall file with the commissioner a certification that the ceding insurer’s transactions with the limited purpose subsidiary life insurance company are not being used to gain an unfair advantage in the pricing of the ceding insurer’s products.

(b) A ceding insurer may not be deemed to have an unfair advantage if the pricing of the policies and contracts reinsured by the limited purpose subsidiary life insurance company reflects, at the time the policies and contracts were issued, a reasonable long-term estimate of the cost to the ceding insurer of an alternative third-party transaction, and uses current pricing assumptions.

(c) The ceding insurer shall keep documentation between examinations that sets forth the manner in which a senior actuarial officer arrived at the conclusions in the certification.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.

Sec. 841.420. ACCOUNTING AND FINANCIAL REPORTING. The commissioner shall prescribe accounting and financial reporting requirements with regard to the limited purpose subsidiary life insurance company and any insurer as defined by Section 841.402 that organizes a limited purpose subsidiary life insurance company.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1173 (H.B. 3161), Sec. 1, eff. June 17, 2011.
If the commissioner determines that an insurance company that holds a certificate of authority does not comply with this chapter or another law described by Section 841.002, the commissioner shall notify the company that the commissioner intends to revoke its certificate of authority on the expiration of the 30-day period after the date actual notice is delivered or mailed under this section.

(b) Notice under this section must:

(1) be in writing; and
(2) be delivered to an executive officer of the company by personal service or by registered mail.

(c) If an insurance company receiving notice under this section does not fully comply before the expiration of the period prescribed by Subsection (a), the commissioner shall revoke the company's certificate of authority.

(d) An insurance company whose certificate of authority is revoked under this section is not entitled to receive another certificate of authority for a period of one year and until the company has fully and in good faith complied with this chapter.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.702. APPEAL OF DETERMINATION TO REVOKE CERTIFICATE. An insurance company aggrieved by an order of the commissioner to revoke the company's certificate of authority under Section 841.701 may file suit in a court in Travis County to vacate the order.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2005, 79th Leg., Ch. 728 (H.B. 2018), Sec. 11.022, eff. September 1, 2005.

Sec. 841.703. CERTIFICATE OF AUTHORITY VOID ON FAILURE TO SATISFY JUDGMENT. (a) If an officer holding an execution issued on a final judgment rendered against an insurance company demands payment of the judgment from an officer or attorney of record of the company and the company does not fully satisfy the judgment before the 31st day after the date the demand is made, the officer shall
certify the demand and failure to the commissioner, regardless of whether the demand is made in this state.

(b) On receipt of a certification under Subsection (a), the commissioner shall declare void the certificate of authority issued to the company under this chapter.

(c) An insurance company whose certificate of authority is declared void under this section may not engage in the business of insurance in this state until:

(1) the judgment is fully satisfied and discharged; and

(2) the commissioner renews the company's certificate of authority.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 841.704. FALSE STATEMENT, REPORT, OR OTHER DOCUMENT; CRIMINAL PENALTY. (a) A person commits an offense if the person executes or causes to be executed a statement, report, or other document required by law to be filed with the commissioner that contains a material statement or fact that the person knows to be false.

(b) A person commits an offense if the person is an officer of an insurance company that is not organized under the laws of this state and the person files a statement, report, or other document required by law to be filed with the commissioner that contains a material statement or fact that the person knows to be false.

(c) An offense under this section is punishable by imprisonment in the Texas Department of Criminal Justice for a term of not less than one year.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 87 (S.B. 1969), Sec. 25.120, eff. September 1, 2009.

Sec. 841.705. PENALTY FOR FAILURE TO INVEST OR REPORT. (a) In addition to the penalty provided by this subchapter, an insurance company is subject to a penalty as prescribed by Subsection (b) if, while holding a certificate of authority to
engage in the business of insurance in this state, or after the company ceases to write new business or ceases to hold a certificate of authority, the company intentionally fails or refuses to:

1. make the investments required by Chapter 425;
2. make a report required by a law described by Section 841.002;
3. make any special report requested by the commissioner under a law described by Section 841.002; or
4. comply with another provision of a law described by Section 841.002.

(b) A penalty under this section is in the amount of $25 per day for each day the company remains in default after the commissioner notifies the company of the default in the manner provided by this subchapter.

(c) A penalty under this section may be recovered in a suit brought by the attorney general on behalf of the state in a district court of Travis County.

(d) In a suit brought to recover a penalty under this section:

1. there are rebuttable presumptions that:
   A. any default that may have occurred was intentional; and
   B. the notice required by Subsection (b) was given; and
2. if the question of whether the investments required by Chapter 425 were made is at issue, the defendant insurance company has the burden of proving that the investments were made as required by that chapter.

Added by Acts 2005, 79th Leg., Ch. 727 (H.B. 2017), Sec. 15, eff. April 1, 2007.