

CHAPTER 416

S.B. No. 403

AN ACT

relating to sanctions that may be ordered by the State Board of Insurance.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Section 7, Article 1.10, Insurance Code, as amended, is amended to read as follows:

7. May Order Sanctions. (a) After notice and *opportunity for a hearing*, the State Board of Insurance may cancel or revoke any permit, license, certificate of authority, certificate of registration, or other authorization issued or existing under its authority or the authorization of this Code if the holder or possessor of same is found to be in violation of, or to have failed to comply with, a specific *provision* [~~provisions~~] of the Code or any duly promulgated rule or regulation of the State Board of Insurance. In lieu of such cancellation or revocation, the State Board of Insurance may order one or more of the following sanctions if it determines from the facts that such would be more fair, reasonable, or equitable:

- (1) [~~(a)~~] Suspend such authorization for a time certain, not to exceed one year;
- (2) [~~(b)~~] Order the holder or possessor of such authorization to cease and desist from the specified activity determined to be in violation of specific provisions of this Code or rules and regulations of the State Board of Insurance or from failure to comply with such provisions of this Code or such rules and regulations; [~~or~~]

1955

(3) [(e)] Direct the holder or possessor of such authorization to remit within a specified time, not to exceed sixty (60) days, a specified monetary forfeiture not to exceed Ten Thousand (\$10,000) Dollars for such violation or failure to comply; or

(4) *Direct the holder or possessor of such authorization to make complete restitution to all Texas residents, Texas insureds, and entities operating in Texas harmed by the violation or failure to comply.*

(b) *Restitution under Subdivision (4) of Subsection (a) must be made in the form and amount and within the period determined by the State Board of Insurance.*

(c) Any monetary forfeiture paid as a result of an order issued pursuant to *Subdivision (3) of Subsection (a)* [(e) above] shall be deposited with the State Treasurer to the credit of the General Revenue Fund.

(d) If it is found after hearing that any holder or possessor has failed to comply with an order issued pursuant to *Subsection (a)*, [(b), and (c) above,] the State Board of Insurance shall, unless its order is lawfully stayed, cancel all authorizations of such holder or possessor.

(e) The State Board of Insurance shall have authority to informally dispose of any matter specified in this section [such matters] by consent order, *agreed settlement, stipulations, or default.*

(f) The Board shall give notice of any action taken pursuant to this section to the Insurance Commissioner or other similar officer of every state.

(g) The authority vested in the State Board of Insurance in this Article shall be in addition to and not in lieu of any other authority to enforce or cause to be enforced any sanctions, penalties, fines, forfeitures, denials, suspensions, or revocations otherwise authorized by law, and shall be applicable to every form of authorization to any person or entity holding or possessing the same.

(h) *This section applies to all companies regulated by the State Board of Insurance including but not limited to domestic and foreign, stock and mutual life, health, and accident insurance companies; domestic and foreign, stock and mutual, fire and casualty insurance companies; Mexican casualty companies; domestic and foreign Lloyd's plan insurers; domestic and foreign reciprocal or interinsurance exchanges; domestic and foreign fraternal benefit societies; domestic and foreign title insurance companies; attorney's title insurance companies; stipulated premium insurance companies; nonprofit legal service corporations; health maintenance organizations; statewide mutual assessment companies; local mutual aid associations; local mutual burial associations; exempt associations under Article 14.17 of this Code; nonprofit hospital, medical, or dental service corporations including but not limited to companies subject to Chapter 20 of this Code; county mutual insurance companies; and farm mutual insurance companies. Also, this section applies to a person or entity licensed under Articles, including but not limited to 1.14-2, 3.75, 5.13-1, 5.43-1, 5.43-2, 5.43-3, 5.43-4, 9.36, 9.43, and 23.23 of this Code or under Chapter 21, 24, or 25 of this Code and Sections 15 and 15A of the Texas Health Maintenance Organization Act (Article 20A.01 et seq., Vernon's Texas Insurance Code).*

SECTION 2. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the Senate on March 31, 1987, by the following vote: Yeas 31, Nays 0. Passed the House on May 29, 1987, by the following vote: Yeas 135, Nays 2, one present not voting.

Approved June 17, 1987.

Effective June 17, 1987.