

1                                    AN ACT

2 relating to accountant practice requirements for certain audits of  
3 insurer financial reports.

4            BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5            SECTION 1. Subsection (c), Section 12, Article 1.15A,  
6 Insurance Code, is amended to read as follows:

7            (c) The commissioner may not accept an audited financial  
8 report prepared in whole or in part by an individual or firm who the  
9 commissioner finds:

10            (1) has been convicted of fraud, bribery, a violation  
11 of the Racketeer Influenced and Corrupt Organizations Act (18  
12 U.S.C. Sections 1961 through 1968), or any state or federal  
13 criminal offense involving dishonest conduct;

14            (2) has violated the insurance laws of this state with  
15 respect to any report filed under this article; [~~or~~]

16            (3) has demonstrated a pattern or practice of failing  
17 to detect or disclose material information in reports filed under  
18 this article; or

19            (4) has directly or indirectly entered into an  
20 agreement of indemnity or release of liability regarding an audit  
21 of an insurer.

22            SECTION 2. Subsection (b), Section 14, Article 1.15A,  
23 Insurance Code, is amended to read as follows:

24            (b) The examination of an insurer's financial reports shall

1 be conducted in accordance with generally accepted auditing  
2 standards or with standards adopted by the Public Company  
3 Accounting Oversight Board, as applicable. The accountant  
4 conducting the audit shall consider:

5 (1) the standards specified [~~Consideration should~~  
6 ~~also be given to such other procedures illustrated~~] in the  
7 Examiner's Handbook promulgated by the National Association of  
8 Insurance Commissioners; or

9 (2) other analogous nationally recognized standards  
10 adopted by commissioner rule.

11 SECTION 3. The changes in law made by this Act apply only to  
12 an audit begun under Article 1.15A, Insurance Code, as amended by  
13 this Act, on or after the effective date of this Act. An audit begun  
14 or pending before that date is governed by the law in effect on the  
15 date the audit is begun, and the former law is continued in effect  
16 for that purpose.

17 SECTION 4. This Act takes effect September 1, 2005.

David Newkum  
President of the Senate

Jim Caddick  
Speaker of the House

I hereby certify that S.B. No. 1591 passed the Senate on April 21, 2005, by the following vote: Yeas 31, Nays 0.

Patricia Shaw  
Secretary of the Senate

I hereby certify that S.B. No. 1591 passed the House on May 25, 2005, by a non-record vote.

Robert Hanes  
Chief Clerk of the House

Approved:

17 JUNE '05  
Date

Rick Perry  
Governor

FILED IN THE OFFICE OF THE  
SECRETARY OF STATE  
1:20 AM O'CLOCK

Roger Williams  
JUN 17 2005  
Secretary of State