

BILL ANALYSIS

H.B. 1559
By: Frullo
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties note that the surplus lines insurance market has developed in Texas as an important resource to insure risks for many lines of insurance but that many commercial insureds do not have access to the surplus lines market. H.B. 1559 seeks to address this issue by allowing an entity that meets certain conditions to purchase commercial surplus lines insurance without the performance of a diligent effort to determine whether the insurance is available in the admitted market.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 1559 amends the Insurance Code to make the condition on the authorization for an eligible surplus lines insurer to provide surplus lines insurance regarding the inability to obtain the full amount of required insurance, after a diligent effort, from an insurer authorized to write and actually writing that kind and class of insurance in Texas inapplicable to insurance procured for an industrial insured if the following conditions are met: the agent procuring or placing the insurance discloses to the industrial insured that comparable insurance may be available from the admitted market that is subject to more regulatory oversight than the surplus lines market and that a policy purchased in the admitted market may provide greater protection than the surplus lines insurance policy; after receiving such notice, the industrial insured requests in writing that the agent procure the insurance from or place the insurance with an eligible surplus lines insurer; and the surplus lines company offering the coverage has a financial strength rating of A- or better from the A. M. Best Company. The bill defines "industrial insured" as a person who purchases commercial insurance and, at the time of placement, employs or retains a qualified risk manager to negotiate insurance coverage, has paid aggregate nationwide commercial property and casualty insurance premiums of more than \$25,000 in the immediately preceding 12 months, and has at least 25 full-time employees.

H.B. 1559 includes among the records a surplus lines agent is required to maintain regarding a surplus lines contract obtained by the agent, if applicable, evidence establishing that the insured qualified as an industrial insured and that the surplus lines agent complied with the bill's provisions if a diligent effort to obtain insurance in the admitted market was not made. The bill applies only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2018.

EFFECTIVE DATE

September 1, 2017.