

BILL ANALYSIS

Senate Research Center
83R10144 PMO-F

S.B. 1125
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Business & Commerce
3/22/2013
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Chapter 2201 (Risk Retention Groups and Purchasing Groups), Insurance Code, governs risk purchasing groups, which allow a group of individuals engaged in similar business or activities to purchase insurance coverage. Unlike a risk retention group, a risk purchasing group does not bear the group's risks but seeks coverage elsewhere. Risk purchasing groups often purchase additional insurance coverage for other risks that are related to, but not necessarily covered by, the liability insurance policy. The additional coverage may reduce the amount of exposure for claims arising under the liability insurance policy.

S.B. 1125 clarifies the permissibility of the practice of authorizing risk purchasing groups to purchase additional coverage that benefits employees of a political subdivision. S.B. 1125 also provides that the total coverage limit per group member for additional risks purchased may not exceed three percent of the coverage limit per group member for the original liability insurance policy. S.B. 1125 requires new purchasing groups intending to purchase such additional related coverage to notify the commissioner at least 60 days before the additional insurance policy will be issued.

As proposed, S.B. 1125 amends current law relating to first-party indemnity coverage purchased by insurance purchasing groups.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2201.251, Insurance Code, by adding Subsections (c), (d), and (e), as follows:

(c) Authorizes a purchasing group composed primarily of employees of a political subdivision, notwithstanding any other provision of this code, including a county, municipality, or school district, to purchase first-party indemnity coverage, in addition to the liability coverage described in Subsection (a)(3) (relating to requiring a purchasing group to purchase group liability insurance only for the group's members), on a group basis for other risks to which members to be exposed provided that the aggregate coverage limit per group member for the risk does not exceed three percent of the per member coverage limit for liability coverage.

(d) Authorizes a purchasing group to notify the commissioner of insurance (commissioner) of the group's intent to purchase coverage described by Subsection (c) not later than the 60th day before the date the policy that includes the coverage is initially issued. Authorizes the commissioner, after notice and hearing, to issue any orders authorized by law with respect to such coverage.

(e) Provides that Subsection (d) does not apply to a purchasing group described by Subsection (c) that was providing to its members coverage described by Subsection (c) on January 1, 2013, and has continued to provide that coverage without lapse.

SECTION 2. Effective date: September 1, 2013.