

## **BILL ANALYSIS**

Senate Research Center

H.B. 1559  
By: Frullo (Hancock)  
Administration  
7/5/2017  
Enrolled

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Retail agents have historically struggled with the issue of following a confusing statute as it relates to the placement of insurance with an admitted market versus providing, in many cases, a better option through a non-admitted or surplus lines market. Larger sophisticated commercial insurance purchasers, with the advice and guidance of a qualified risk manager, can make an educated decision about what option is the best for their specific circumstance.

Oftentimes the decision is not based on price, but coverage options, additional insured language or other factors that may not be available with a standard market. H.B. 1559 allows the retail agent to offer either option to sophisticated commercial buyers and allow them to make the decision. (Original Author's / Sponsor's Statement of Intent)

H.B. 1559 amends current law relating to the provision of surplus lines insurance to certain commercial insureds.

### **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 Subchapter A, Chapter 981, Insurance Code, by adding Section 981.0033, as follows:

Sec. 981.0033. INDUSTRIAL INSURED DEFINED. Defines "industrial insured."

SECTION 2. Amends Section 981.004, Insurance Code, by adding Subsection (d), as follows:

(d) Provides that Subsection (a)(1) (relating to the authority of an eligible surplus lines insurer to provide surplus lines insurance if the full amount of required insurance cannot be obtained from a certain insurer) does not apply to insurance procured for an industrial insured if:

(1) 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 a policy purchased in the admitted market may provide greater protection than the surplus lines insurance policy;

(2) the surplus lines company offering the coverage has a financial strength rating of A- or better from the A. M. Best Company; and

(3) after receiving the notice described by Subdivision (1), the industrial insured requests in writing that the agent procure the insurance from or place the insurance with an eligible surplus lines insurer.

SECTION 3. Amends Section 981.215(a), Insurance Code, as follows:

(a) Requires a surplus lines agent to maintain a complete record of each surplus lines contract obtained by the agent, including, if applicable, evidence establishing that the insured qualified as an industrial insured and that the surplus lines agent complied with the requirements of Section 981.004(d) if a diligent effort to obtain insurance in the admitted market was not made pursuant to Section 981.004(a)(1). Makes nonsubstantive changes.

SECTION 4. Makes application of this Act prospective to January 1, 2018.

SECTION 5. Effective date: September 1, 2017.