

BILL ANALYSIS

Senate Research Center
85R5759 SMT-F

S.B. 562
By: Hancock
Business & Commerce
3/28/2017
As Filed

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. S.B. 562 will allow the retail agent to offer either option to sophisticated commercial buyer and allow them to make the decision.

As proposed, S.B. 562 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), to provide that Subsection (a)(1) (relating to when an eligible surplus lines insurer is authorized to provide surplus lines insurance) does not apply to insurance procured for an industrial insured if the agent procuring or placing the insurance discloses to the industrial insured certain information, the surplus lines company offering the coverage has a financial strength rating of A- or better from the A.M. Best Company, and after receiving the described notice, 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 evidence establishing that, among other qualifications, the insured qualified as an industrial insured and that the surplus lines agent complied with the requirement 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, as applied to an insurance policy delivered, issued, or renewed, prospective to January 1, 2018.

SECTION 5. Effective date: September 1, 2017.