

BILL ANALYSIS

Senate Research Center

S.B. 1214
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Enrolled

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Municipalities and other political subdivisions in Texas are allowed the use of a broker of record when soliciting for excess or surplus insurance. Under certain market conditions, the same ability would be an advantage for certain counties when soliciting insurance bids. A broker of record, who is paid by a commission by the carrier, has access to a broader market and can introduce more competition in the purchasing process and generate greater savings for counties. This is especially true in a tight underwriting market.

S.B. 1214 allows a county with a population of 800,000 or more to select an appropriately licensed broker of record who is a professional familiar with the way that underwriters and insurance companies in these highly specialized markets are accustomed to doing business. This bill allows the county to be more efficient and to take advantage of the broader market exposure that such brokers can afford.

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 C, Chapter 262, Local Government Code, by adding Section 262.036, as follows:

Sec. 262.036. SELECTION AND RETENTION OF INSURANCE BROKER. (a) Authorizes a county with a population of 800,000 or more, notwithstanding any other provision in this chapter, to select an appropriately licensed insurance broker as the sole broker of record to obtain proposals and coverages for insurance that provides necessary coverage in all areas of risk, including public official liability, property, casualty, workers' compensation, and specific and aggregate stop-loss coverage for self-funded health care.

(b) Authorizes the county to retain a broker of record selected under this section only on a fee basis paid by the county. Prohibits a broker of record retained in this manner from directly or indirectly receiving any other remuneration, compensation, or other form of payment from any other source for the placement of insurance business under the broker of record contract.

(c) Prohibits a broker of record retained under this section from submitting any insurance carrier proposal to the county or directing any county insurance business to an insurance carrier if the broker has a business relationship or proposed business relationship with the carrier, including an appointment, unless the broker first discloses the nature of that relationship or proposed relationship, in writing, to the county.

(d) Provides that a broker who violates this section is subject to any disciplinary remedy available under Chapter 82 (Sanctions), Insurance Code, or Section 4005.102 (Remedies For Violation of Insurance Laws of Commissioner Rules), Insurance Code, including license revocation and fine.

SECTION 2. Effective date: upon passage or September 1, 2005.