

BILL ANALYSIS

C.S.S.B. 1214
By: Barrientos
County Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

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 the entity instead of 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.

C.S.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

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

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 only on a fee basis and prohibits the broker of record from, directly or indirectly, receiving any other remuneration, compensation or payment of any type from any other source for the placement of insurance business under the broker of record contract.

(c) Prohibits the broker of record 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 discloses the nature of the relationship or proposed relationship, in writing, to the county.

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

SECTION 2. Effective date

C.S.S.B. 1214 79(R)

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The Substitute changes the heading to Sec. 262.036 to read "SELECTION AND RETENTION OF INSURANCE BROKER," rather than "SELECTION OF INSURANCE BROKER."

The Substitute changes references to a "broker," to read a "broker of record" in Subsections (b) and (c).

C.S.S.B. 1214 also removes the requirement in the original bill that the disclosure of a business relationship include "all written and oral contracts and proposals," and that it be disclosed prior to the earlier of the county's review of any insurance proposals provided by the broker or the direction of any county insurance business to the carrier.