

## **BILL ANALYSIS**

S.B. 1564  
By: Janek  
Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Surplus lines insurance is regulated under Subchapter A, Subtitle I, Insurance Code, and is defined as an insurance transaction that is entered into by a resident of this state with an eligible surplus lines insurer through a surplus lines agent because of difficulty in obtaining coverage from an insurer authorized to do business in Texas.

Subchapter E of Title I, Insurance Code, requires surplus lines agents to be licensed, one requirement for licensure is that the agent provide proof of financial responsibility to the Department of Insurance in the form of a surety bond in the amount of \$50,000.

As proposed, S.B. 1564 repeals the current requirement for a \$50,000 surety bond as a condition of licensure for surplus lines agents in this state, to streamline the licensing process, to further uniformity and reciprocity among the various states in connection with the licensure of surplus lines agents, and to avoid potential preemption of state law regarding licensure of surplus lines agents.

### **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 981.203, Insurance Code, by deleting the requirement that an applicant for a surplus lines agent license is to provide proof of financial responsibility under Section 981.206 (Financial Responsibility).

SECTION 2. Repealer: Section 981.206 (Financial Responsibility), Insurance Code.

SECTION 3. Effective date: January 1, 2006.

### **EFFECTIVE DATE**

January 1, 2006