

BILL ANALYSIS

H.B. 1928
By: Flores
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Texas Insurance Code permits out-of-state carriers to form companies, under a Lloyd's plan, to conduct business. The code requires all Lloyd's plan carriers in Texas to maintain an attorney in fact. Most such attorneys in fact are shell officials, paid by the parent entity, and perform no duties other than occupying an office as required. The actual work of the business, such as selling policies and acknowledging and adjusting claims, are done by other entities that are not Texas residents. Because federal courts with applicable jurisdiction have consistently held that the attorney in fact is not a proper party to suit on an insurance claim, the state needs jurisdiction pertaining to such suits.

H.B. 1928 requires an attorney in fact under a Lloyd's plan be made a party to any suit brought to enforce the obligations of the Lloyd's plan under a contract of insurance.

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

H.B. 1928 amends the Insurance Code to add as a requirement for an attorney in fact under a Lloyd's plan that the attorney must be made party to any suit brought to enforce the obligations of the Lloyd's plan under a contract of insurance. The bill makes its provisions applicable to an insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2010.

EFFECTIVE DATE

September 1, 2009.