

BILL ANALYSIS

C.S.S.B. 2179
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Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties contend that some farm mutual insurance companies are serving as a means for another underwriting insurer to sell insurance without having to comply with certain state requirements, a practice known as "fronting." C.S.S.B. 2179 seeks to maintain the value that farm mutual companies bring to rural communities and to limit the practice of fronting.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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

C.S.S.B. 2179 amends the Insurance Code to remove the exemption from the property and casualty insurance premium tax for a farm mutual insurance company acting as a fronting insurer, defined by the bill as a farm mutual insurance company that either cedes 85 percent or more of the company's direct written premium to one or more nonaffiliated reinsurers or a farm mutual insurance company issuing an insurance policy that is the result of marketing by an insurer not affiliated with the farm mutual insurance company, of an application submitted by a consumer to an insurer not affiliated with the farm mutual insurance company, or of an agreement with an insurer that is not a farm mutual insurance company solely for the purpose of being regulated under statutory provisions relating to farm mutual insurance companies. The bill subjects a farm mutual insurance company acting as a fronting insurer to the fire and allied lines insurance maintenance tax and the Texas Windstorm Insurance Association Act. The bill's provisions regarding the property and casualty insurance premium tax and the fire and allied lines insurance maintenance tax expressly do not affect tax liability accruing before the 2017 calendar year.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2017.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

C.S.S.B. 2179 differs from the original in minor or nonsubstantive ways by conforming to certain bill drafting conventions.