

1-1 By: Frullo (Senate Sponsor - Hancock) H.B. No. 1559
1-2 (In the Senate - Received from the House April 18, 2017;
1-3 April 19, 2017, read first time and referred to Committee on
1-4 Administration; May 9, 2017, reported favorably by the following
1-5 vote: Yeas 6, Nays 0; May 9, 2017, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	Kolkhorst	X		
1-9	Burton	X		
1-10	Huffines	X		
1-11	Hughes		X	
1-12	Nichols	X		
1-13	West	X		
1-14	Zaffirini	X		

1-15 A BILL TO BE ENTITLED
1-16 AN ACT

1-17 relating to the provision of surplus lines insurance to certain
1-18 commercial insureds.

1-19 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-20 SECTION 1. Subchapter A, Chapter 981, Insurance Code, is
1-21 amended by adding Section 981.0033 to read as follows:

1-22 Sec. 981.0033. INDUSTRIAL INSURED DEFINED. For purposes of
1-23 this chapter, "industrial insured" means a person who purchases
1-24 commercial insurance and, at the time of placement:

1-25 (1) employs or retains a qualified risk manager to
1-26 negotiate insurance coverage; and

1-27 (2) either:

1-28 (A) has paid aggregate nationwide commercial
1-29 property and casualty insurance premiums of more than \$25,000 in
1-30 the immediately preceding 12 months; or

1-31 (B) employs at least 25 full-time employees.

1-32 SECTION 2. Section 981.004, Insurance Code, is amended by
1-33 adding Subsection (d) to read as follows:

1-34 (d) Subsection (a)(1) does not apply to insurance procured
1-35 for an industrial insured if:

1-36 (1) the agent procuring or placing the insurance
1-37 discloses to the industrial insured that:

1-38 (A) comparable insurance may be available from
1-39 the admitted market that is subject to more regulatory oversight
1-40 than the surplus lines market; and

1-41 (B) a policy purchased in the admitted market may
1-42 provide greater protection than the surplus lines insurance policy;

1-43 (2) the surplus lines company offering the coverage
1-44 has a financial strength rating of A- or better from the A. M. Best
1-45 Company; and

1-46 (3) after receiving the notice described by
1-47 Subdivision (1), the industrial insured requests in writing that
1-48 the agent procure the insurance from or place the insurance with an
1-49 eligible surplus lines insurer.

1-50 SECTION 3. Section 981.215(a), Insurance Code, is amended
1-51 to read as follows:

1-52 (a) A surplus lines agent shall maintain a complete record
1-53 of each surplus lines contract obtained by the agent, including any
1-54 of the following, if applicable:

1-55 (1) a copy of the daily report;

1-56 (2) the amount of the insurance and risks insured
1-57 against;

1-58 (3) a brief general description of the property
1-59 insured and the location of that property;

1-60 (4) the gross premium charged;

1-61 (5) the return premium paid;

2-1 (6) the rate of premium charged on the different items
 2-2 of property;
 2-3 (7) the contract terms, including the effective date;
 2-4 (8) the insured's name and post office address;
 2-5 (9) the insurer's name and home office address;
 2-6 (10) the amount collected from the insured;
 2-7 (11) an agreement under Section 225.006(c);
 2-8 (12) evidence establishing that:
 2-9 (A) the insured qualified as an exempt commercial
 2-10 purchaser and that the surplus lines agent complied with the
 2-11 requirements of Section 981.004(c) if a diligent effort to obtain
 2-12 insurance in the admitted market was not made pursuant to Section
 2-13 981.004(a)(1); or
 2-14 (B) the insured qualified as an industrial
 2-15 insured and that the surplus lines agent complied with the
 2-16 requirements of Section 981.004(d) if a diligent effort to obtain
 2-17 insurance in the admitted market was not made pursuant to Section
 2-18 981.004(a)(1); and
 2-19 (13) any other information required by the department.
 2-20 SECTION 4. The changes in law made by this Act apply only to
 2-21 an insurance policy delivered, issued for delivery, or renewed on
 2-22 or after January 1, 2018. A policy delivered, issued for delivery,
 2-23 or renewed before January 1, 2018, is governed by the law as it
 2-24 existed immediately before the effective date of this Act, and that
 2-25 law is continued in effect for that purpose.
 2-26 SECTION 5. This Act takes effect September 1, 2017.

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