

By: Taylor of Galveston

S.B. No. 2179

A BILL TO BE ENTITLED

AN ACT

relating to the applicability of certain insurance laws to certain farm mutual insurance companies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 221.001, Insurance Code, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) This chapter does not apply to:

(1) a fraternal benefit society, including a fraternal benefit society operating under Chapter 885;

(2) a group hospital service corporation operating under Chapter 842;

(3) a stipulated premium company operating under Chapter 884;

(4) a mutual assessment association, company, or corporation regulated under Chapter 887; ~~or~~

(5) a purely cooperative or mutual fire insurance company carried on by its members solely for the protection of their own property and not for profit, except as provided by Section 221.002(b)(13); or

(6) a farm mutual insurance company operating under Chapter 911, unless the company is acting as a fronting insurer.

(c) In this section, "fronting insurer" means a farm mutual insurance company:

1 (1) issuing an insurance policy that is the result of:

2 (A) marketing by an insurer not affiliated with
3 the farm mutual insurance company;

4 (B) an application submitted by a consumer to an
5 insurer not affiliated with the farm mutual insurance company; or

6 (C) an agreement with an insurer that is not a
7 farm mutual insurance company solely for the purpose of being
8 regulated under Chapter 911; or

9 (2) that cedes 85 percent or more of the farm mutual
10 insurance company's direct written premium to one or more
11 nonaffiliated reinsurers.

12 SECTION 2. Section 252.005, Insurance Code, is amended to
13 read as follows:

14 Sec. 252.005. EXCEPTION. This chapter does not apply to:

15 (1) a farm mutual insurance company operating under
16 Chapter 911, unless the company is acting as a fronting insurer as
17 defined by Section 221.001(c); or

18 (2) a mutual insurance company engaged in business
19 under Chapter 12, Title 78, Revised Statutes, before that chapter's
20 repeal by Section 18, Chapter 40, Acts of the 41st Legislature, 1st
21 Called Session, 1929, as amended by Section 1, Chapter 60, General
22 Laws, Acts of the 41st Legislature, 2nd Called Session, 1929, that
23 retains the rights and privileges under the repealed law to the
24 extent provided by those sections.

25 SECTION 3. Section 2210.006(b), Insurance Code, is amended
26 to read as follows:

27 (b) This chapter does not apply to:

1 (1) a farm mutual insurance company operating under
2 Chapter [911](#), unless the company is acting as a fronting insurer, as
3 defined by Section [221.001\(c\)](#);

4 (2) a nonaffiliated county mutual fire insurance
5 company described by Section [912.310](#) that is writing exclusively
6 industrial fire insurance policies as described by Section
7 [912.310\(a\)\(2\)](#); or

8 (3) a mutual insurance company or a statewide mutual
9 assessment company engaged in business under Chapter 12 or 13,
10 Title 78, Revised Statutes, respectively, before those chapters'
11 repeal by Section 18, Chapter [40](#), Acts of the 41st Legislature, 1st
12 Called Session, 1929, as amended by Section 1, Chapter 60, General
13 Laws, Acts of the 41st Legislature, 2nd Called Session, 1929, that
14 retains the rights and privileges under the repealed law to the
15 extent provided by those sections.

16 SECTION 4. (a) Sections [221.001](#) and [252.005](#), Insurance
17 Code, as amended by this Act, do not affect tax liability accruing
18 before the 2017 calendar year. That liability continues in effect
19 as if this Act had not been enacted, and the former law is continued
20 in effect for the collection of taxes due and for civil and criminal
21 enforcement of the liability for those taxes.

22 (b) Section [2210.006\(b\)](#), Insurance Code, as amended by this
23 Act, applies only to participation in the Texas Windstorm Insurance
24 Association on or after the effective date of this Act, including
25 the payment of assessments the liability for which accrues on or
26 after that date. Participation in the Texas Windstorm Insurance
27 Association before the effective date of this Act, including the

1 payment of assessments the liability for which accrued before that
2 date, is governed by the law as it existed immediately before that
3 date, and that law is continued in effect for that purpose.

4 SECTION 5. This Act takes effect immediately if it receives
5 a vote of two-thirds of all the members elected to each house, as
6 provided by Section 39, Article III, Texas Constitution. If this
7 Act does not receive the vote necessary for immediate effect, this
8 Act takes effect September 1, 2017.