

1-1 By: Taylor of Galveston S.B. No. 2179
1-2 (In the Senate - Filed March 10, 2017; March 29, 2017, read
1-3 first time and referred to Committee on Business & Commerce;
1-4 May 5, 2017, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 7, Nays 1; May 5, 2017, sent
1-6 to printer.)

1-7 COMMITTEE VOTE

| | Yea | Nay | Absent | PNV |
|------|---------------------|-----|--------|-----|
| 1-8 | | | | |
| 1-9 | Hancock | X | | |
| 1-10 | Creighton | | X | |
| 1-11 | Campbell | X | | |
| 1-12 | Estes | X | | |
| 1-13 | Nichols | X | | |
| 1-14 | Schwertner | X | | |
| 1-15 | Taylor of Galveston | X | | |
| 1-16 | Whitmire | | X | |
| 1-17 | Zaffirini | X | | |

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 2179 By: Taylor of Galveston

1-19 A BILL TO BE ENTITLED
1-20 AN ACT

1-21 relating to the applicability of certain insurance laws to certain
1-22 farm mutual insurance companies.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 SECTION 1. Section 221.001, Insurance Code, is amended by
1-25 amending Subsection (b) and adding Subsection (c) to read as
1-26 follows:

1-27 (b) This chapter does not apply to:

1-28 (1) a fraternal benefit society, including a fraternal
1-29 benefit society operating under Chapter 885;

1-30 (2) a group hospital service corporation operating
1-31 under Chapter 842;

1-32 (3) a stipulated premium company operating under
1-33 Chapter 884;

1-34 (4) a mutual assessment association, company, or
1-35 corporation regulated under Chapter 887; ~~or~~

1-36 (5) a purely cooperative or mutual fire insurance
1-37 company carried on by its members solely for the protection of their
1-38 own property and not for profit, except as provided by Section
1-39 221.002(b)(13); or

1-40 (6) a farm mutual insurance company operating under
1-41 Chapter 911, unless the company is acting as a fronting insurer.

1-42 (c) In this section, "fronting insurer" means a farm mutual
1-43 insurance company:

1-44 (1) issuing an insurance policy that is the result of:

1-45 (A) marketing by an insurer not affiliated with
1-46 the farm mutual insurance company;

1-47 (B) an application submitted by a consumer to an
1-48 insurer not affiliated with the farm mutual insurance company; or

1-49 (C) an agreement with an insurer that is not a
1-50 farm mutual insurance company solely for the purpose of being
1-51 regulated under Chapter 911; or

1-52 (2) that cedes 85 percent or more of the farm mutual
1-53 insurance company's direct written premium to one or more
1-54 nonaffiliated reinsurers.

1-55 SECTION 2. Section 252.005, Insurance Code, is amended to
1-56 read as follows:

1-57 Sec. 252.005. EXCEPTION. This chapter does not apply to:

1-58 (1) a farm mutual insurance company operating under
1-59 Chapter 911, unless the company is acting as a fronting insurer as
1-60 defined by Section 221.001(c); or

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

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

(b) This chapter does not apply to:

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

(2) a nonaffiliated county mutual fire insurance company described by Section 912.310 that is writing exclusively industrial fire insurance policies as described by Section 912.310(a)(2); or

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

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

(b) Section 2210.006(b), Insurance Code, as amended by this Act, applies only to participation in the Texas Windstorm Insurance Association on or after the effective date of this Act, including the payment of assessments the liability for which accrues on or after that date. Participation in the Texas Windstorm Insurance Association before the effective date of this Act, including the payment of assessments the liability for which accrued before that date, is governed by the law as it existed immediately before that date, and that law is continued in effect for that purpose.

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

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