LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 7, 2017

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1491** by Zaffirini (Relating to domestic surplus lines insurers; authorizing and imposing a tax.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 981 of the Insurance Code, regarding surplus lines insurance, to add new Subchapter B-1, regarding domestic surplus lines insurer.

The bill would allow a property and casualty insurance company to apply to the Department of Insurance for designation as a domestic surplus lines insurer. On approval of the application the Commissioner of Insurance would designate the applicant as a domestic surplus lines insurer and issue the applicant a certificate. Domestic surplus lines insurers would not be able to engage in the business of insurance in the admitted market.

The bill would exempt domestic surplus lines insurers from certain requirements applicable to admitted insurance companies.

The bill would impose certain restrictions on the risks that a domestic surplus lines insurer could insure. Domestic surplus lines insurers would be subject to the surplus lines premium tax of 4.85 percent and to the maintenance tax applicable to the risk insured. Surplus lines documents issued by a domestic surplus lines insurer would include a statement in the form and manner provided by the Commissioner.

The bill would allow a foreign insurer to redomesticate to this state as a domestic surplus lines insurer.

The bill would change the heading to Subtitle I, Title 6 of the Insurance Code, to "Surplus Lines Insurers; Companies Not Organized in Texas."

It is assumed that the provisions of the bill would not effect the amount of surplus lines insurance provided to insureds whose home state is Texas and would, therefore, have no effect on premium tax revenue collected. Insurance maintenance taxes are allocated to GR Account 0036 - Texas Department of Insurance Operating to fund the operations of the Texas Department of Insurance. As this is a self-leveling account, any increase in maintenance taxes paid by domestic surplus lines insurers would result in an equivalent decrease in maintenance tax paid by admitted insurers. The bill, therefore, would have no effect on insurance maintenance tax revenue collected.

The Texas Department of Insurance indicated that any increased costs associated with the bill could be absorbed within existing resources.

The bill would take effect January 1, 2018.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance, 304 Comptroller of Public Accounts
LBB Staff: UP, CL, CP, AG, SD, KK