

BILL ANALYSIS

C.S.H.B. 1648
By: Lucio III
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Concerns have been raised that because surplus lines insurance policies, which are obtained when desired coverage cannot be obtained in a standard market, are outside the standard or admitted market, the policies do not have the protections extended to consumers in standard policies. More specifically, it has been noted that surplus lines insurance policies may contain a provision that subjects the policy to the laws and arbitration of a state outside of Texas. C.S.H.B. 1648 seeks to address this issue by requiring certain arbitrations to be conducted in Texas.

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.H.B. 1648 amends the Insurance Code to require an arbitration under a surplus lines insurance contract or under an insurance policy or contract written by a Lloyd's plan that is related to a risk located entirely in Texas to be conducted in Texas and to require the arbitration agreement in the insurance policy or contract to be interpreted in accordance with Texas law. These requirements apply to an arbitration under such a policy or contract entered into in or outside of Texas. The bill applies only to a policy or contract delivered, issued for delivery, or renewed on or after January 1, 2020.

EFFECTIVE DATE

September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1648 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute does not include requirements for the inclusion of specified arbitration provisions in a surplus lines insurance contract that contains an arbitration agreement or a form used in writing property and casualty insurance that contains an arbitration agreement, but the substitute does include requirements for arbitration agreements in a surplus lines insurance contract or an insurance policy or contract written by a Lloyd's plan and for an arbitration under such a policy

or contract that is related to a risk located entirely in Texas.