

## **BILL ANALYSIS**

Senate Research Center

S.B. 796  
By: Middleton  
Business & Commerce  
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Enrolled

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Surplus lines insurance is a special type of insurance that covers unique risks, and fills a gap in the standard market by covering things that most insurance companies can't or won't insure. Under current law, the Texas Department of Insurance does not license surplus lines insurance companies, but the department does approve which ones can do business in the state. In order to be approved, surplus lines companies must meet financial requirements, be licensed in their home state or country, and comply with applicable nationwide uniform standards. However, concerns have been raised that surplus lines policies may contain a provision that subjects the policy to the laws and arbitration of a state outside of Texas and, thus, do not offer the same protections.

C.S.S.B. 796 seeks to address this issue by requiring an arbitration under a surplus lines insurance contract that is related to a risk located entirely in Texas must be conducted in Texas and governed by the laws of Texas. This applies to surplus lines contracts entered in the state of Texas or outside of the state.

S.B. 796 amends current law relating to arbitration provisions in surplus lines insurance contracts.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 981.101, Insurance Code, by adding Subsection (d), as follows:

(d) Requires that an arbitration under a surplus lines insurance contract that is related to a risk located entirely in this state be conducted in this state, and the insurance contract, including the arbitration agreement, is required to be interpreted in accordance with the laws of this state. Prohibits this subsection from being construed as a defense to the enforcement of:

- (1) an arbitration agreement that complies with or has been reformed to comply with this subsection; or
- (2) an award made under an agreement described by Subdivision (1).

SECTION 2. Makes application of Section 981.101(d), Insurance Code, as added by this Act, prospective.

SECTION 3. Effective date: September 1, 2023.