

BILL ANALYSIS

C.S.S.B. 796
By: Middleton
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

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 Texas. In order to be approved, surplus lines companies must meet financial requirements, be licensed in their home state or country, and must 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 do not offer the same protections as Texas state law. 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 to be conducted in Texas and under Texas law.

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.S.B. 796 amends the Insurance Code to require an arbitration under a surplus lines insurance contract that is related to a risk located entirely in Texas to be conducted in Texas and to require the insurance contract, including the arbitration agreement, to be interpreted in accordance with Texas law. The bill applies to an arbitration under a surplus lines insurance contract entered into in or outside of Texas. The bill applies only to surplus lines insurance contract delivered, issued for delivery, or renewed on or after January 1, 2024.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

While C.S.S.B. 796 may differ from the engrossed in minor or nonsubstantive ways, the following summarizes the substantial differences between the engrossed and committee substitute versions of the bill.

Whereas the engrossed required the arbitration agreement in the insurance contract to be interpreted in accordance with state law, the substitute requires the insurance contract, including the arbitration agreement, to be interpreted in such a manner.