

BILL ANALYSIS

Senate Research Center
88R7327 JES-D

S.B. 796
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Business & Commerce
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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.

S.B. 796 seeks to address this issue by requiring a surplus lines insurance contract that contains an arbitration agreement to provide that the arbitration will be conducted in Texas and governed by the laws of Texas. Additionally, the surplus lines contract will be interpreted in accordance with the laws of Texas.

As proposed, 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 a surplus lines insurance contract that contains an arbitration agreement provide that the arbitration will be conducted in this state and governed by the laws of this state and that the insurance contract will be interpreted in accordance with the laws of this state.

SECTION 2. Makes application of Section 981.101(d), Insurance Code, as added by this Act, prospective to January 1, 2024.

SECTION 3. Effective date: September 1, 2023.