

BILL ANALYSIS

H.B. 4877
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Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill author has informed the committee that the Texas Property and Casualty Insurance Guaranty Act, which governs Texas Property and Casualty Insurance Guaranty Association, lacks clarity and contains outdated references, which has been an issue when applying that law in recent insolvency proceedings and ongoing administrative practice. H.B. 4877 seeks to address this issue by making several technical and clarifying changes to the Texas Property and Casualty Insurance Guaranty Act.

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

H.B. 4877 amends the Insurance Code, with respect to the Texas Property and Casualty Insurance Guaranty Association (TPCIGA), to except guaranteed asset protection insurance that protects a lender's or borrower's interest if the amount owed on an asset exceeds its value from the Texas Property and Casualty Insurance Guaranty Act. The bill includes a workers' compensation claimant as a claimant under the act by including that term in the act's general definition of "claimant."

H.B. 4877 makes the provision establishing that the venue in a suit by or against the commissioner of insurance or TPCIGA under the act is in Travis County applicable to all such suits by removing the specification that the suit relates to an action or ruling of the commissioner or TPCIGA. The bill makes an officer of a member insurer or affiliated entity and a full-time employee of an affiliated entity eligible to serve as an insurance industry member of the TPCIGA board of directors. The bill removes the provision specifying that, for purposes of administration and assessment of accounts under TPCIGA, TPCIGA is divided into separate accounts, instead providing for the maintenance of four accounts, and adds as the fourth account an administrative account.

H.B. 4877 entitles TPCIGA to recover, in addition to the other amounts to which it is otherwise entitled to recover under current law, the amount paid under any policy, including the costs of administration and defense of the claim, from an insured or any successor entity excluded under statutory provisions relating to the net worth exclusion, before the insured's identification as an insured whose net worth on December 31 of the year preceding the date the insurer became an

impaired insurer exceeds \$50 million. With regard to that amount, the bill provides the following:

- TPCIGA is not entitled to recover such an amount against a 501(c)(3) tax exempt insured under the Internal Revenue Code of 1986; and
- an insured's net worth is deemed to include the aggregate net worth of the insured and of the insured's parent, subsidiary, and affiliated companies computed on a consolidated basis.

H.B. 4877 establishes that to permit TPCIGA to properly defend a pending cause of action, a proceeding asserted directly against TPCIGA arising out of a policy issued by the impaired insurer in a court in Texas, other than a proceeding directly related to receivership or instituted by the receiver, is stayed for a six-month period beginning on the later of the date of the designation of impairment or the date an ancillary proceeding is brought in Texas and a subsequent period as determined by the court, if any.

H.B. 4877 applies only with respect to a property and casualty insurance company that is designated as an impaired insurer on or after the bill's effective date. The law as it existed immediately before that date applies with respect to a property and casualty insurance company that is designated as an impaired insurer before that date, and that law is continued in effect for that purpose.

EFFECTIVE DATE

September 1, 2025.