

BILL ANALYSIS

Senate Research Center

S.B. 455

By: Middleton

Business & Commerce

6/3/2025

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 cannot or will not insure. Under current law, the Texas Department of Insurance does not license surplus lines insurance companies, but 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. 455 seeks to address this issue by requiring a surplus lines insurance contract that contains an arbitration agreement must 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.

(Original Author's/Sponsor's Statement of Intent)

S.B. 455 amends current law relating to arbitration provisions in certain 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 Subsections (d) and (e), as follows:

(d) Requires that a surplus lines insurance contract for a risk located wholly in this state and that contains an arbitration agreement provide that:

(1) the arbitration will be conducted in this state and governed by the laws of this state; and

(2) the insurance contract will be interpreted in accordance with the laws of this state unless the insurer and policyholder agree to a different venue after the insurer provides written notice to the policyholder of the insurer's request for a different venue and the insurer provides the policyholder with a premium credit for the costs incurred by the policyholder as a result of the change in venue.

(e) Authorizes the insurer and policyholder, notwithstanding Subsection (d), for surplus lines insurance contracts for over \$2 million in insured value, to agree by mutual consent to a different arbitration venue and governance under another state's laws, provided the agreement is in a form.

SECTION 2. Makes application of Sections 981.101(d) and (e), Insurance Code, as added by this Act, prospective to January 1, 2026.

SECTION 3. Effective date: September 1, 2025.