

By: Paul

H.B. No. 4877

A BILL TO BE ENTITLED

AN ACT

relating to the Texas Property and Casualty Insurance Guaranty Association.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 462.004(4), Insurance Code, is amended to read as follows:

(4) "Claimant" means an insured making a first-party claim, ~~or~~ a person instituting a liability claim, or a workers' compensation claimant.

SECTION 2. Section 462.007(b), Insurance Code, is amended to read as follows:

(b) Except as provided by Subchapter F, this chapter does not apply to:

(1) life, annuity, health, or disability insurance;

(2) mortgage guaranty, financial guaranty, or other kinds of insurance offering protection against investment risks;

(3) a fidelity or surety bond, or any other bonding obligation;

(4) credit insurance, guaranteed asset protection insurance that protects a lender's or borrower's interest if the amount owed on an asset exceeds its value, vendors' single-interest insurance, collateral protection insurance, or similar insurance protecting a creditor's interest arising out of a creditor-debtor transaction;

1 (5) insurance of warranties or service contracts;

2 (6) title insurance;

3 (7) ocean marine insurance;

4 (8) a transaction or combination of transactions
5 between a person, including an affiliate of the person, and an
6 insurer, including an affiliate of the insurer, that involves the
7 transfer of investment or credit risk unaccompanied by the transfer
8 of insurance risk, including transactions, except for workers'
9 compensation insurance, involving captive insurers, policies in
10 which deductible or self-insured retention is substantially equal
11 in amount to the limit of the liability under the policy, and
12 transactions in which the insured retains a substantial portion of
13 the risk; or

14 (9) insurance provided by or guaranteed by government.

15 SECTION 3. Section 462.017(b), Insurance Code, is amended
16 to read as follows:

17 (b) Venue in a suit by or against the commissioner or
18 association ~~[relating to an action or ruling of the commissioner or~~
19 ~~association]~~ under this chapter is in Travis County. The
20 commissioner or association is not required to give an appeal bond
21 in an appeal of a cause of action arising under this chapter.

22 SECTION 4. Section 462.054, Insurance Code, is amended to
23 read as follows:

24 Sec. 462.054. ELIGIBILITY TO SERVE AS INDUSTRY
25 REPRESENTATIVE. To be eligible to serve as an insurance industry
26 board member, an individual must be an officer or a full-time
27 employee of a member insurer or affiliated entity.

SECTION 5. Section 462.105, Insurance Code, is amended to read as follows:

Sec. 462.105. ACCOUNTS. For purposes of administration and assessment, the association maintains the following four accounts ~~[is divided into]~~:

- (1) the administrative account;
- (2) the workers' compensation insurance account;
- (3) ~~[(2)]~~ the automobile insurance account; and
- (4) ~~[(3)]~~ the account for all other lines of insurance to which this chapter applies.

SECTION 6. Section 462.156(a), Insurance Code, is amended to read as follows:

(a) The amounts provided under assessments made under this chapter supplement the marshalling of assets by the receiver under Chapter 443 ~~[442]~~ to make payments on the impaired insurer's behalf.

SECTION 7. Sections 462.308(a), (b), and (c), Insurance Code, are amended to read as follows:

(a) The association is entitled to recover:

(1) the amount of a covered claim and the cost of defense paid on behalf of a person:

(A) who is an affiliate of the impaired insurer;
and

(B) whose liability obligations to other persons are satisfied wholly or partly by payment made under this chapter;
~~[and]~~

(2) the amount of a covered claim for workers'

1 compensation insurance benefits and the costs of administration and
2 defense of the claim paid under this chapter from an insured
3 employer or any successor entity to the insured employer under
4 state, federal, or international law whose net worth on December 31
5 of the year preceding the date the insurer becomes an impaired
6 insurer exceeds \$50 million; and

7 (3) the amount paid under any policy, including the
8 costs of administration and defense of the claim, from an insured or
9 any successor entity excluded by Section 462.212(a) before the
10 insured's identification as an insured whose net worth on December
11 31 of the year preceding the date the insurer became an impaired
12 insurer exceeds \$50 million.

13 (b) The association is not entitled to recover under
14 Subsection (a)(2) or (3) against an insured who is exempt from
15 federal income tax under Section 501(a), Internal Revenue Code of
16 1986, by being described by Section 501(c)(3) of that code.

17 (c) For purposes of Subsections [~~Subsection~~] (a)(2) and
18 (3), an insured's net worth is deemed to include the aggregate net
19 worth of the insured and of the insured's parent, subsidiary, and
20 affiliated companies computed on a consolidated basis.

21 SECTION 8. Section 462.309(a), Insurance Code, is amended
22 to read as follows:

23 (a) To permit the association to properly defend a pending
24 cause of action, a proceeding in which an impaired insurer is a
25 party or is obligated to defend a party or asserted directly against
26 the association arising out of a policy issued by the impaired
27 insurer in a court in this state, other than a proceeding directly

1 related to the receivership or instituted by the receiver, is
2 stayed for:

3 (1) a six-month period beginning on the later of the
4 date of the designation of impairment or the date an ancillary
5 proceeding is brought in this state; and

6 (2) a subsequent period as determined by the court, if
7 any.

8 SECTION 9. Except as provided by this section, the changes
9 in law made by this Act apply only with respect to a property and
10 casualty insurance company that is designated as an impaired
11 insurer on or after the effective date of this Act. The law as it
12 existed immediately before the effective date of this Act applies
13 with respect to a property and casualty insurance company that is
14 designated as an impaired insurer before the effective date of this
15 Act, and that law is continued in effect for that purpose.

16 SECTION 10. This Act takes effect September 1, 2025.