

BILL ANALYSIS

C.S.H.B. 1306
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Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

It has been suggested that surplus lines insurers have been providing property owners with flood coverage at reasonable rates in recent years, often to insure property in special flood hazard areas designated by FEMA maps. In the aftermath of recent flood events in Texas, there have been calls from property owners for access to more options to mitigate the risk of future flood events. C.S.H.B. 1306 seeks to address this issue by providing for additional flood coverage access under insurance policies issued by surplus lines insurers.

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.H.B. 1306 amends the Insurance Code to exempt flood coverage under a policy issued by an eligible surplus lines insurer that has a financial strength rating of A- or better from the A.M. Best Company from the limitation on such an insurer providing surplus lines insurance in the following circumstances:

- only if the full amount of required insurance cannot be obtained, after a diligent effort, from an insurer authorized to write and actually writing that kind and class of insurance in Texas; and
- only in the amount that exceeds the amount of insurance obtainable from authorized insurers.

The bill applies only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2020.

EFFECTIVE DATE

September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1306 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes a specification that the eligible surplus insurer to which the exemption applies has a financial strength rating of A- or better from the A.M. Best Company.