

SUBJECT: Revising arbitration provisions related to surplus lines insurance

COMMITTEE: Insurance — committee substitute recommended

VOTE: 9 ayes — Oliverson, A. Johnson, Cain, Cortez, Caroline Harris, Hull, Julie Johnson, Paul, Perez
0 nays

SENATE VOTE: On final passage (March 30) — 31 - 0

WITNESSES: For — Jim Beneke, Texas Association of Public Insurance Adjusters; Craig Eiland, Texas Trial Lawyers Association; Ware Wendell, Texas Watch; Jeff Raizner (*Registered, but did not testify*: Jake Posey, National Association of Public Insurance Adjusters)

Against — Jon Schnautz, National Association of Mutual Insurance Companies (*Registered, but did not testify*: Lee Ann Alexander, American Property Casualty Insurance Association; John Marlow, Chubb)

On — Jay Thompson, WSIA (*Registered, but did not testify*: Jamie Walker, Texas Department of Insurance)

BACKGROUND: Concerns have been raised that surplus lines insurance policies issued from a company outside of Texas may contain a provision that subjects the policy to the laws and arbitration of a state outside of Texas, which may not offer the same protections as Texas law.

DIGEST: CSSB 796 would require an arbitration under a surplus lines insurance contract that was related to risk located entirely in Texas to be conducted in Texas. The bill also would require the insurance contract, including the arbitration agreement, to be interpreted in accordance with Texas law. The requirements would apply to an arbitration under a surplus lines insurance contract entered into in or outside of Texas.

The bill would take effect September 1, 2023 and, would apply only to a

surplus lines contract delivered, issued for delivery, or renewed on or after January 1, 2024.