

## **BILL ANALYSIS**

Senate Research Center  
88R19556 JES-D

C.S.S.B. 796  
By: Middleton  
Business & Commerce  
3/21/2023  
Committee Report (Substituted)

### **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 can't or won't insure. Under current law, the Texas Department of Insurance does not license surplus lines insurance companies, but the department 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.

C.S.S.B. 796 seeks to address this issue by requiring an arbitration under a surplus lines insurance contract that is related to a risk located entirely in Texas must be conducted in Texas and governed by the laws of Texas. This applies to surplus lines contracts entered in the state of Texas or outside of the state.

C.S.S.B. 796 amends current law relating to arbitration provisions in 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 Subsection (d), as follows:

(d) Requires that an arbitration under a surplus lines insurance contract that is related to a risk located entirely in this state be conducted in this state, and the arbitration agreement in the insurance contract is required to be interpreted in accordance with the laws of this state. Provides that this subsection applies to an arbitration under a surplus lines insurance contract entered into in or outside of this state.

SECTION 2. Makes application of Section 981.101(d), Insurance Code, as added by this Act, prospective to January 1, 2024.

SECTION 3. Effective date: September 1, 2023.