

Texas Adds New Option for Surplus Lines



Burnie Burner
bburner@mwlaw.com
(512) 480.5100



Julie Pomerantz
jpomerantz@mwlaw.com
(512) 480.5100

06/20/2017

On June 15, 2017, Governor Greg Abbott signed HB 2492 allowing Texas domestic insurance companies to write surplus lines business in Texas adding to a growing list of states authorizing domestic surplus lines companies.

Effective January 1, 2018, Texas property and casualty insurance companies can insure excess and surplus lines risks in Texas if they meet the following criteria:

1. The insurer writes no business in the admitted market;
2. The insurer has capital and surplus of at least \$15 million or is listed on the NAIC Quarterly Listing of Alien Insurers;
3. The risks insured are eligible surplus lines risks; and
4. The risks insured are authorized by the insurer's certificate of formation or articles of incorporation.

Domestic Surplus Lines Insurance Companies may not issue policies to meet the financial responsibility requirements of automobile risks or provide workers compensation insurance. Domestic Surplus Lines Insurance Company policies will not be sufficient to any legal requirement mandating insurance be provided by an insurer authorized to do business in Texas.

Domestic Surplus Lines Insurance Companies will be subject to the surplus lines premium tax of 4.85% and to the maintenance tax applicable to the lines of business written.

Property and casualty insurers currently domiciled in other states may also re-domesticate to take advantage of the new law.

The Texas Department of Insurance will adopt rules to address the form of surplus lines documents and disclosure to be used by Domestic Surplus Lines Insurance Companies. The current surplus lines disclosure required by TIC § 981.101(b) will not apply to the Domestic Surplus Lines Insurance Company.

The Domestic Surplus Lines Insurance Companies will have rate and form freedom and will not be required to file underwriting guidelines with the Texas Department of Insurance. Domestic Surplus Lines Insurance Companies will not be subject to assessments for the Texas guaranty associations, the Office of Public Insurance Counsel, rural fire protection, or the Automobile Burglary and Theft Prevention Authority.

To receive future blog posts about developments in Texas insurance law, subscribe to our Between the Lines blog and e-news.