

BILL ANALYSIS

C.S.H.B. 3980
By: Frullo
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties contend that the current process for buying personal automobile and homeowners insurance can be difficult due to the complex policy documents. This lack of meaningful information can lead to poor purchasing decisions by consumers and improper insurance coverage. C.S.H.B. 3980 seeks to address this issue.

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 rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 3980 amends the Insurance Code to require each personal automobile or residential property insurance policy delivered or issued for delivery in Texas to include with the policy a coverage summary or other informational material that helps the policyholder understand the insurance policy. The bill establishes that the coverage summary or other informational material does not alter, amend, or extend the coverage or terms or conditions provided by the policy or create a private right of action by an insured against a farm mutual insurance company, an insurer, as that term is defined for purposes of statutory provisions regarding underwriting guidelines for personal automobile and residential property insurance, or an insurer's agent. The bill authorizes the commissioner of insurance by rule to adopt requirements for a coverage summary or other informational material required by the bill's provisions.

EFFECTIVE DATE

January 1, 2016.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3980 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

	INTRODUCED	HOUSE COMMITTEE SUBSTITUTE
SECTION 1.	Section 521.005(a),	No equivalent provision. (But see SECTION

84R 25537

15.113.892

Substitute Document Number: 84R 22190

Insurance Code, is amended to read as follows:

- (2) the department's name and address; ~~and~~
- (3) the department's toll-free telephone number maintained under Subchapter B; ~~and~~;
- (4) a coverage summary or other informational material to help consumers understand the insurance policy offered or purchased.

SECTION 2. Section 521.005, Insurance Code, is amended to add the following:

- (c) The commissioner may adopt by rule requirements for a coverage summary or other informational material.
- (d) Subsections (a)(4) and (c) apply to an insurer, as defined in Section 38.002, and a farm mutual insurance company, writing personal automobile or homeowners insurance as defined in Section 2301.051 in this state, and their agents.

No equivalent provision. (But see SECTIONS 1 and 2 above.)

I below.)

No equivalent provision. (But see SECTION 1 below.)

SECTION 1. Subchapter A, Chapter 521, Insurance Code, is amended by adding Section 521.006 to read as follows:

Sec. 521.006. COVERAGE SUMMARY TO ACCOMPANY CERTAIN POLICIES.

(a) In this section:

(1) "Insurer" means:

(A) an insurer, as defined by Section 38.002(a); or

(B) a farm mutual insurance company.

(2) "Personal automobile insurance" and "residential property insurance" have the meanings assigned by Section 38.002(a).

(b) This section applies to an insurer and an insurer's agent.

(c) Each personal automobile or residential property insurance policy delivered or issued for delivery in this state shall include with the policy a coverage summary or other informational material that helps the policyholder understand the insurance policy.

(d) The coverage summary or other informational material does not:

(1) alter, amend, or extend the coverage or terms or conditions provided by the policy; or

(2) create a private right of action by an insured against an insurer or an insurer's agent.

(e) The commissioner by rule may adopt requirements for a coverage summary or other informational material required by this section.

SECTION 3. This Act applies only to an insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2016. A policy delivered, issued for delivery, or renewed before January 1, 2016, is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 4. This Act takes effect September 1, 2015.

SECTION 2. Same as introduced version.

SECTION 3. This Act takes effect January 1, 2016.