

BILL ANALYSIS

C.S.H.B. 849
By: Murr
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

There is concern among interested parties that vehicle lienholders are exposed to a high degree of risk from unexpected and premature cancellation of personal automobile insurance coverage by the vehicle purchaser even as the vehicle continues to be operated. The parties have expressed a need for notification to such a lienholder on cancellation of a personal automobile insurance policy that provides comprehensive or collision coverage for the vehicle to mitigate this risk. C.S.H.B. 849 seeks to provide for such notice by requiring certain insurance companies to notify the appropriate lienholder if such a policy is cancelled.

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. 849 amends the Insurance Code to require an insurer that cancels a personal automobile insurance policy that provides comprehensive or collision physical damage coverage for an automobile that is subject to a purchase money lien, not later than the 10th day before the effective date of the cancellation, to notify the lienholder, if known, that the coverage will be cancelled. The bill requires an insurer that cancels such an insurance policy at the request of the insured to notify the lienholder of the cancellation as soon as practicable after the date the insurer receives the insured's request for the cancellation. The bill establishes that the notice is complete on the date the insurer deposits the notice in the United States mail, postage prepaid and addressed to the lienholder at the lienholder's last known address, or sends the notice to a facsimile number or electronic mail address provided by the lienholder for the purpose of receiving notice. The bill applies only to the cancellation of a personal automobile insurance policy that is delivered, issued for delivery, or renewed on or after March 1, 2018.

EFFECTIVE DATE

January 1, 2018.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 849 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

SECTION 1. Subchapter C, Chapter 551, Insurance Code, is amended by adding Section 551.1041 to read as follows:

Sec. 551.1041. NOTICE OF CANCELLATION OF CERTAIN PERSONAL AUTOMOBILE INSURANCE COVERAGES. An insurer that cancels a personal automobile insurance policy that provides comprehensive or collision physical damage coverage for an automobile that is subject to a purchase money lien shall, not later than the 10th day before the effective date of the cancellation, notify the lienholder, if known, that the coverage will be cancelled.

No equivalent provision.

No equivalent provision.

SECTION 2. Section 551.1041, Insurance Code, as added by this Act, applies only to the cancellation of a personal automobile insurance policy that is delivered, issued for delivery, or renewed on or after January 1, 2018. The cancellation of a policy delivered, issued for delivery, or renewed before January 1, 2018, 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 3. This Act takes effect September 1, 2017.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Subchapter C, Chapter 551, Insurance Code, is amended by adding Section 551.1041 to read as follows:

Sec. 551.1041. NOTICE OF CANCELLATION OF CERTAIN PERSONAL AUTOMOBILE INSURANCE COVERAGES. (a) Except as provided by Subsection (b), an insurer that cancels a personal automobile insurance policy that provides comprehensive or collision physical damage coverage for an automobile that is subject to a purchase money lien shall, not later than the 10th day before the effective date of the cancellation, notify the lienholder, if known, that the coverage will be cancelled.

(b) An insurer that cancels an insurance policy described by Subsection (a) at the request of the insured shall notify the lienholder of the cancellation as soon as practicable after the date the insurer receives the insured's request for the cancellation.

(c) Notice under this section is complete on the date the insurer:

- (1) deposits the notice in the United States mail, postage prepaid and addressed to the lienholder at the lienholder's last known address; or
- (2) sends the notice to a facsimile number or electronic mail address provided by the lienholder for the purpose of receiving notice.

SECTION 2. Section 551.1041, Insurance Code, as added by this Act, applies only to the cancellation of a personal automobile insurance policy that is delivered, issued for delivery, or renewed on or after March 1, 2018. The cancellation of a policy delivered, issued for delivery, or renewed before March 1, 2018, 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 3. This Act takes effect January 1, 2018.