

SUBJECT: Nonrenewal of certain insurance policies for insured's failure to cooperate

COMMITTEE: Insurance — favorable, without amendment

VOTE: 7 ayes — Oliverson, Vo, Hull, Israel, Middleton, Paul, Sanford

2 nays — J. González, Romero

SENATE VOTE: On final passage, April 28 — 28-2-1 (Gutierrez, Whitmire; Miles)

WITNESSES: For — Lee Loftis, Independent Insurance Agents of Texas; Beaman Floyd, Texas Coalition for Affordable Insurance Solutions; (*Registered, but did not testify*: Jay Thompson, AFACT)

Against — None

On — (*Registered, but did not testify*: Jon Schnautz, National Association of Mutual Insurance Companies; Kimberly Donovan, Office of Public Insurance Counsel; Libby Elliott, Texas Department of Insurance)

BACKGROUND: Insurance Code ch. 551, subch. C governs the declination, cancellation, and nonrenewal of certain property and casualty policies, including a personal automobile insurance policy, other than a policy written through the Texas Automobile Insurance Plan Association. Subch. C defines "insurer" as a county mutual insurance company, a Lloyd's plan, a reciprocal or interinsurance exchange, and a farm mutual insurance company.

Interested parties note that most personal auto insurance policies require the insured to cooperate with the insurer in the investigation, settlement, or defense of an accident or claim. Under current state law, the Texas Department of Insurance is unable to help an insured involved in an accident when the other driver's insurance company refuses to accept liability. Some have called for incentivizing insurance companies and insureds to respond quickly to a claim and cooperate with a claimant's insurance company.

DIGEST: SB 1602 would prohibit an insurer under Insurance Code ch. 551, subch. C from renewing a private passenger automobile insurance policy if the named insurer failed or refused to cooperate with the insurer in the investigation, settlement, or defense of a claim or action specified in the insurer's notice.

If an insured under the policy failed or refused to cooperate in the investigation, settlement, or defense of a claim or action or the insurer was unable to contact the insured, the insurer would have to provide written notice to the named insured that stated:

- how the insured failed or refused to cooperate, including failure as a result of the insurer's inability to contact the insured;
- the claim or action for which the insurer was requesting cooperation; and
- the insurer would not renew the policy if the insured continued to fail or refuse to cooperate.

The bill would take effect September 1, 2021, and would apply only to an insurance policy issued or renewed on or after January 1, 2022.