

BILL ANALYSIS

Senate Research Center
77R6394 AJA-D

H.B. 1891
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Business & Commerce
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Engrossed

DIGEST AND PURPOSE

Currently, state law authorizes an insurance company to reduce coverage on a personal lines property insurance policy with an endorsement approved by the Department of Insurance. However, the law does not require an insurance company to notify a policyholder of the change. This lack of a notification requirement has resulted in confusion as to what constitutes proper notice. H.B. 1891 requires that a written explanation be provided to a policyholder if an endorsement is used to reduce coverage under an insurance policy.

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 Chapter 5C, Insurance Code, by adding Article 5.36, as follows:

Art. 5.36. WRITTEN EXPLANATION OF CERTAIN ENDORSEMENTS REQUIRED.
Prohibits an insurer from using an endorsement to a policy form to which Article 5.35 of this code applies that reduces the amount of coverage that would otherwise be provided under the policy unless the insurer provides the policyholder with a written explanation of the change made by the endorsement before the effective date of the change.

SECTION 2. Effective date: September 1, 2001.

Makes application of this Act prospective to January 1, 2002.