

## **BILL ANALYSIS**

Senate Research Center  
85R3266 BEE-F

S.B. 417  
By: Watson  
Business & Commerce  
2/13/2017  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Chapter 2002 (Policy Provisions and Forms for Fire Insurance and Allied Lines, Including Residential Property Insurance), Insurance Code, requires insurers to provide written notice to a policyholder at least 30 days before an endorsement that reduces his/her auto or homeowners insurance coverage goes into effect. This information is often lost in all of the renewal paperwork, however. As a result, agents and policyholders often do not know their coverage has been reduced until after the reduction goes into effect.

This situation is made more confusing in that, under current law, reducing or restricting certain types of policies qualifies as a policy cancellation and triggers cancellation notice requirements. Thus, policyholders sometimes receive a notice of cancellation after they decide to renew their policy with a coverage reduction.

S.B. 417 remedies these problems in two key ways. First, it requires the coverage reduction notice to be provided in a conspicuous place and in plain language. In keeping with current law, this notice must be provided at least 30 days before the change goes into effect. Second, the bill provides that if an insurer complies with these notice requirements, then a renewal with reduced coverage does not qualify as a policy cancellation. This should reduce the amount of paperwork and confusion generated from insurance renewals.

As proposed, S.B. 417 amends current law relating to notice to policyholders and agents of certain changes to property and casualty insurance policies.

### **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 Subchapter C, Chapter 551, Insurance Code, by adding Section 551.1055, as follows:

Sec. 551.1055. CHANGES TO POLICY ON RENEWAL. (a) Provides that, notwithstanding Section 551.103 (Cancellation), a change to a policy provision on renewal is not a nonrenewal or cancellation if the insurer provides the insured with written notice of any difference between each form of the policy offered to the insured on renewal and the form of the policy held immediately before renewal.

(b) Sets forth requirements for notice provided under Subsection (a).

(c) Requires an insurer, if the insurer elects to change a policy form on renewal, to, not later than a certain date, provide written notice to each agent of the insurer that clearly indicates each change being made to the policy.

SECTION 2. Amends Section 2002.001, Insurance Code, as follows:

Sec. 2002.001. ENDORSEMENTS REDUCING AMOUNT OF COVERAGE. (a) Creates this subsection from existing text. Prohibits an insurer from using an endorsement to a policy form to which Article 5.35 (Policy Forms), Subchapter B (Policy Forms) of this chapter (Policy Provisions and Forms for Fire Insurance and Allied Lines, Including Residential Property Insurance), or Subchapter B (Policy Forms for Personal Automobile Insurance Coverage and Residential Property Insurance Coverage), Chapter 2301 (Policy Forms), applies that reduces coverage that would otherwise be provided unless:

(1) makes no changes to this subdivision;

(2) the insurer provide the policyholder in a written notice an explanation of the endorsement, rather than the insurer provides the policyholder with a written explanation of the change made by the endorsement, that meets certain requirements.

(b) Authorizes the notice required by Subsection (a) to be provided to the insured in a renewal notice.

(c) Requires an insurer, if the insurer elects to use an endorsement not later than a certain date, to provide written notice to each agent of the insurer that clearly indicates each change made to the policy form by the endorsement.

SECTION 3. Amends the heading to Subchapter C, Chapter 2002, Insurance Code, to read as follows:

#### SUBCHAPTER C. ITEMS PROVIDED IN CONNECTION WITH INSURANCE POLICY

SECTION 4. Amends Section 2002.102, Insurance Code, as follows:

Sec. 2002.102. NOTICE OF RENEWAL. (a) Requires an insurer to provide the policyholder with written notice in accordance with this section of any difference between each form of the policy offered to the policyholder on renewal and the form of the policy held immediately before renewal, rather than provide the policyholder with written notice of any difference between each form of the policy offered to the policyholder on renewal and the form of the policy held immediately before renewal.

(b) Sets forth the requirements for a notice provided under this section.

(c) Requires an insurer, if the insurer elects to change a policy form on renewal, to, not later than the 30th day before the renewal date, provide written notice to each agent of the insurer that clearly indicates each change being made to the policy.

(d) Creates this subsection from existing text and makes no further changes to this subsection.

SECTION 5. Makes application of this Act prospective to January 1, 2018.

SECTION 6. Effective date: September 1, 2017.