

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 417
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Business & Commerce
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Committee Report (Substituted)

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. (Original Author's / Sponsor's Statement of Intent)

C.S.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 Section 551.103, Insurance Code, to provide that an insurer, for the purposes of this subchapter (Declination, Cancellation, and Nonrenewal of Certain Property and Casualty Policies), has canceled an insurance policy if the insurer, without the consent of the insured, terminates coverage provided under the policy, refuses to provide additional coverage to which the insured is entitled under the policy, or, except as provided by Section 551.1055, reduces or restricts coverage under the policy by endorsement or other means.

SECTION 2. Amends Subchapter C, Chapter 551, Insurance Code, by adding Section 551.1055, as follows:

Sec. 551.1055. CHANGES TO POLICY ON RENEWAL. (a) Defines "material change."

(b) 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 material change in each form of the policy offered to the insured on renewal from the form of the policy held immediately before renewal.

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

(d) Requires an insurer, in addition to the notice to the insured provided under Subsection (b), if the insurer elects to make a material change to 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 material change being made to the policy form. Authorizes an insurer to provide the notice to the agents in a single notice given to each agent of the insurer that summarizes substantially similar material changes to more than one policy form.

(e) Requires an insurer, notwithstanding this section, for a personal automobile insurance policy, to comply with Sections 551.105 (Nonrenewal of Policies; Notice Required) and 551.106(b) (relating to an insurer's requirement to renew a certain personal automobile insurance policy).

SECTION 3. Amends Section 551.110, Insurance Code, to provide that an insurer or agent or an employee of an insurer or agent is not liable for a notice, statement, or disclosure made in good faith under this subchapter unless the notice, statement or disclosure was known to be false, or made with malice or wilful intent to injure any person.

SECTION 4. Amends Section 2002.001, Insurance Code, as follows:

Sec. 2002.001. New heading: POLICY FORM OR ENDORSEMENT MAKING MATERIAL CHANGE TO POLICY. (a) Defines "material change."

(b) Creates this subsection from existing text. Prohibits an insurer from using a policy form or 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 make a material change to, rather than reduces coverage that would otherwise be provided under, unless:

(1) the insured requests the material change, rather than requests the endorsement; or

(2) the insurer provides the policyholder in a written notice explanation of the material change that appears in a conspicuous place on the notice of material change, clearly indicates each material change to the policy, is written in plain language, and is provide to the policyholder by a certain date, rather than provides the policyholder with a written explanation of the change made by the endorsement, not later than the 30th day before the date on which the policy expires.

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

(d) Requires an insurer, in addition to the notice to the policyholder provided under Subsection (b), if the insurer elects to make material change to a policy form or use an endorsement to make a material change to a policy form, by a certain date, to provide written notice to each agent of the insurer that clearly indicates each material change being made to the policy form. Authorizes an insurer to provide the notice to the agents in a single notice given to each agent of the insurer that summarizes substantially similar material changes to more than one policy form.

SECTION 5. Amends the heading to Subchapter C, Chapter 2002, Insurance Code, to read as follows:

SUBCHAPTER C. ITEMS PROVIDED IN CONNECTION WITH INSURANCE POLICY

SECTION 6. Amends Section 2002.102, Insurance Code, as follows:

Sec. 2002.102. NOTICE OF RENEWAL. (a) Defines "material change."

(b) Requires an insurer, including certain insurers, to provide the policyholder with written notice in accordance with this section of any material change in each form of the policy offered to the policyholder on renewal from 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.

(c) Redesignates existing Subsection (b) as Subsection (c). Sets forth the requirements for a notice provided under this section.

(d) Requires an insurer, if the insurer elects to make a material change to a policy form on renewal, to, by a certain date, provide written notice to each agent of the insurer that clearly indicates each material change being made to the policy form, in addition to the notice to the policy holder provided under this section. Authorizes an insurer to provide the notice to the agents in a single notice given to each agent of the insurer that summarizes substantially similar material changes to more than one policy form.

(e) Redesignates existing Subsection (c) as Subsection (e) and makes no further changes to this subsection.

SECTION 7. Makes application of this Act prospective to January 1, 2018.

SECTION 8. Effective date: September 1, 2017.