

BILL ANALYSIS

Senate Research Center

S.B. 1602
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Most personal auto insurance policies require that the insured cooperate with the insurer in the investigation, settlement, and defense of an accident or claim. According to the language provided in the Insurance Service Office (ISO) policy, Part E, the intent is clear:

B. A person seeking any coverage must:

1. Cooperate with us in the investigation, settlement, or defense of any claim or suit.

While the language clearly states the responsibility, there is no real incentive for the insured, or the insurance company, to adhere to this requirement. The only recourse against either when a claim is denied is for the injured party to file a lawsuit. The insurance company gets out of paying a claim and the insured does not have a claim on their record unless the injured party goes to court.

The purpose of this legislation is to give an incentive for the insurance company to do all possible to contact their insured to get them to cooperate. This also gives the insured the incentive to cooperate or they will receive a 10-day notice of cancellation and be forced to find coverage elsewhere.

The only opposition that we foresee could come from insurance companies that have been using this practice to avoid paying legitimate claims based on the failure to cooperate.

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

S.B. 1602 amends current law relating to nonrenewal of certain property and casualty insurance policies for the insured's failure to cooperate in a claim investigation, settlement, or defense.

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 551.1053, as follows:

Sec. 551.1053. MANDATORY NONRENEWAL OF PRIVATE PASSENGER AUTOMOBILE INSURANCE POLICIES. (a) Requires an insurer, if an insured under a private passenger automobile insurance policy fails or refuses to cooperate with the insurer in the investigation, settlement, or defense of a claim or action or the insurer is unable to contact the insured using reasonable efforts for those purposes, to provide written notice to the named insured that states:

- (1) how the insured failed or refused to cooperate, including failure as a result of the insurer's inability to contact the insured;

(2) the claim or action for which the insurer is requesting cooperation; and

(3) the insurer will not renew the policy if the insured continues to fail or refuse to cooperate.

(b) Prohibits an insurer, notwithstanding Sections 551.105 (Nonrenewal of Policies; Notice Required) and 551.106 (Renewal and Reinstatement of Personal Automobile Insurance Policies), from renewing a private passenger automobile insurance policy if the named insured fails or refuses to cooperate with the insurer in the investigation, settlement, or defense of the claim or action described by the notice provided under Subsection (a).

SECTION 2. Makes application of this Act prospective to January 1, 2022.

SECTION 3. Effective date: September 1, 2021.