

BILL ANALYSIS

Senate Research Center

S.B. 115
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Enrolled

DIGEST AND PURPOSE

Many insurance companies have switched from the formerly dominant home insurance form, the HO-B policy form, to national policy forms; a policy form covering only losses resulting from specifically delineated perils, the HO-A; or a modified HO-B form that reduces and limits the comprehensive coverage offered under the standard HO-B. Many consumers were not informed when insurers made these changes. The commissioner of insurance issued a Commissioner's Bulletin, No. B-0017-02, to remind insurers of their responsibility to fully explain any changes in types of coverage and premium costs to policy holders and applicants. However, insurers' responsibilities in such situations remain unclear and current law only applies to regulated insurers. S.B. 115 requires an insurer to provide written notice in plain language to consumers of any difference in each form of the policy offered on renewal and the policy held prior to renewal. This bill also provides for the development of a comparison form. S.B. 115 also authorizes the commissioner of insurance to adopt rules to enforce these requirements.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Subchapter C, Chapter 5, Insurance Code) and SECTION 2 (Article 5.35, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter C, Chapter 5, Insurance Code, by adding Article 5.45, as follows:

Art. 5.45. NOTICE ON RENEWAL OF CERTAIN POLICIES. (a) Requires an insurer, including certain companies and types, to provide a policy holder with written notice of any difference in each form of the policy offered to the policy holder on renewal and the form of the policy held immediately before renewal.

(b) Requires a notice written under this article to be written in plain language.

(c) Authorizes the commissioner of insurance (commissioner) to adopt rules as necessary to implement this article.

SECTION 2. Amends Article 5.35, Insurance Code, by adding Subsection (k), as follows:

(k) Requires the commissioner, for any policy form and endorsements approved by the commissioner under Subsections (a), (b), or (c) of this article to promulgate a comparison form for that policy. Sets forth requirements governing the development, design, and content of the comparison form. Authorizes the commissioner to adopt rules to carry out the purposes of this subsection.

SECTION 3. Makes application of this Act prospective to the 30th day after the effective date of this Act.

SECTION 4. Effective date: upon passage or September 1, 2003.