

## **BILL ANALYSIS**

S.B. 115  
By: Van de Putte  
Insurance  
Committee Report (Unamended)

### **BACKGROUND 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.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Commissioner of Insurance in SECTION 1 (Article 5.45, Insurance Code) and SECTION 2 (Article 5.35, Insurance Code) of this bill.

### **ANALYSIS**

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

Art. 5.45. NOTICE ON RENEWAL OF CERTAIN POLICIES.

(a) Provides that an insurer that renews a residential or farm and ranch property insurance policy must provide the 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) Provides that a notice written under this article must be written in plain language.

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

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

(1) Requires the commissioner to promulgate a comparison form for that policy, for any policy form and endorsements approved by the commissioner under Subsections (a), (b), or (c) of this article.

(2) Requires the comparison form to be developed with the assistance of the office of public insurance counsel and with input from the public and to be designed to explain the features and limitations of the policy compared to other approved policies. Provides that an insurer using a policy form may be required to develop the comparison form and submit it to the commissioner. Requires the comparison form to be made available to the general public.

(3) Requires the comparison form be designed to be easily read and understood and meet the requirements of Subsection (h) the article. Requires the comparison form, at a minimum, to show the features of the policy compared to the HO-B, HO-A, and at least one other policy form widely in use in this state.

(4) Authorizes the commissioner to adopt rules to carry out the purposes of the subsection.

SECTION 3. Sets forth a prospective clause.

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

**EFFECTIVE DATE**

On passage or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.