

By: Eiland

H.B. No. 2783

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to the withdrawal of an insurance company from a  
3 particular line of insurance.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Amend 21.11-1, Section 1(a) of the Insurance  
6 Code to read as follows:

7 (a) After an agency contract has been in effect for a period  
8 of two years an insurance company writing fire and casualty  
9 insurance in this state, specifically including reciprocal or  
10 interinsurance exchange, mutual, capital stock company, county  
11 mutual insurance company, association, or Lloyd's plan company, may  
12 not terminate or suspend an agency contract or terminate one or more  
13 lines of insurance included within the agency contract with any  
14 appointed agent unless the company gives the agent notice in  
15 writing of the termination or suspension at least six months in  
16 advance. As used in this article, "suspend" means the temporary  
17 cessation of business relations and refusal to accept insurance  
18 contracts [~~contract~~] submitted by the agent and shall not include  
19 situations in which business is suspended immediately following a  
20 natural disaster.

21 (b) The company shall renew all contracts or lines of  
22 insurance included within the agency contract for fire and casualty  
23 insurance for the agent during a period of six months from the  
24 effective date of the termination or suspension, but in the event

1 any risk shall not meet current underwriting standards of the  
2 company, the company may decline its renewal, provided that the  
3 company shall give the agent not less than 60 days' notice of its  
4 intention not to renew the contract or line of insurance. The  
5 company's written underwriting standards shall be provided to its  
6 agents who have been terminated at the same time the company first  
7 notifies the agent of the company's intention to terminate the  
8 agent's contract or a line of insurance. The written underwriting  
9 standards that the insurer furnishes to its terminated agents must  
10 conform to the same underwriting standards that were in effect for  
11 that agent before the company's decision to terminate or suspend  
12 the agent's contract or a line of insurance. Notwithstanding the  
13 provisions of this section, an insurance company may furnish  
14 different underwriting standards to different agents of the  
15 company, so long as such underwriting standards are not used in ways  
16 that intentionally or otherwise serve to prevent or discourage the  
17 renewal of the insurance policies of terminated agents. An  
18 insurance company that is renewing contracts or lines of insurance  
19 under this subsection shall pay to the terminated agent commissions  
20 for those renewals according to the same commission schedule that  
21 was in effect for that agent before the company's decision to  
22 terminate the agency contract or line of insurance. A terminated  
23 agent must be allowed to pay to the company all sums due according  
24 to the same accounts current payment terms that are in effect for  
25 agents of the company who have not been terminated. An insurance  
26 company that is renewing contracts or lines of insurance under this  
27 subsection may not require a terminated agent to convert from

1 agency billing to company billing during the termination period  
2 unless that agent agrees to such conversion in writing.

3 (c) No new business or increases in liability on renewal or  
4 in force business shall be written by the agent for the company  
5 after notice of termination without the written approval of the  
6 company.

7 (d) Nothing contained in this Act shall ever be deemed or  
8 construed to prohibit an amendment or addendum subsequent to the  
9 inception date of the original agency agreement providing in such  
10 subsequent amendment or addendum that the original agency agreement  
11 may be terminated at a sooner time than is required by this Act  
12 provided the agent agrees in writing to such sooner termination. An  
13 insurance company that proposes to revise the termination  
14 provisions of an existing agency agreement must first present the  
15 agent with a separate written impact statement that summarizes the  
16 effect, if any, that such proposed subsequent amendment or addendum  
17 shall have on the agent's rights as provided for by this article.

18 (e) An agency agreement that replaces, revises, or in any  
19 other way takes the place of an agency agreement that has been in  
20 effect for a period of two years is subject to the provisions of  
21 this article so long as there has been no material change in the  
22 ownership of the agency.

23 (f) The board shall promulgate reasonable rules and  
24 regulations to provide for definitions as necessary in the  
25 accomplishments of the purposes of this article.

26 SECTION 2. Amend 17.22(a)(2) of the Insurance Code to read  
27 as follows:

1                   (2) Articles 1.15, 1.15A, 1.16, 1.24, 2.04, 2.05,  
2 2.08, 2.10, 4.10, 5.12, 5.37, 5.38, 5.39, 5.40, 5.49, 21.21,  
3 21.21-1, and 21.49 of the Code.

4                   SECTION 3. Amend 18.23(b) of the Insurance Code to read as  
5 follows:

6                   (b) In addition to such Articles as may be made to apply by  
7 other Articles of this Chapter, underwriters at a Lloyds' shall not  
8 be exempt from and shall be subject to Articles 1.15A, 2.20, 5.35,  
9 5.38, 5.39, 5.40, 5.49, 21.21, 21.11-1, and 21.49-8 of this Code.

10                   SECTION 4. This Act takes effect September 1, 2003.