

## **BILL ANALYSIS**

S.B. 417  
By: Watson  
Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Interested parties contend that changes to certain property and casualty insurance policies should be made clear to applicable policyholders and agents. The parties assert that existing notification requirements applicable to such policies often cause confusion for policyholders and are insufficient in notifying agents of policy changes. S.B. 417 seeks to address this issue by creating and revising requirements for providing notice of certain changes to property and casualty insurance policies.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

S.B. 417 amends the Insurance Code to establish that a change to a property and casualty insurance policy provision on renewal is not a nonrenewal or cancellation if the insurer provides the insured with certain 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. The bill requires such notice to appear in a conspicuous place in the notice of renewal, clearly indicate each material change to the policy being made on renewal, be written in plain language, and be provided to the insured not later than the 30th day before the renewal date. The bill requires an insurer who elects to make a material change to a policy form on renewal to provide an additional written notice, not later than the 30th day before the earliest renewal date on which the new policy form is used, to each agent of the insurer that clearly indicates each material change being made to the policy form. The bill 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. The bill expressly requires an insurer, for a personal automobile insurance policy, to comply with statutory provisions relating to the notice required for nonrenewal of certain property and casualty policies and statutory provisions relating to a renewal of certain personal automobile insurance policies written for a term of less than one year. The bill defines "material change" for purposes of these provisions as a change to a policy that, with respect to a prior or existing policy, reduces coverage, changes conditions of coverage, or changes the duties of the insured.

S.B. 417 exempts an insurer or agent or an employee of an insurer or agent from liability for a notice made in good faith under provisions relating to the declination, cancellation, and nonrenewal of certain property and casualty policies, unless the notice was known to be false or

made with malice or wilful intent to injure any person.

S.B. 417 replaces the prohibition against an insurer using an endorsement to certain policy forms for a fire insurance and allied lines policy, a residential property insurance policy, or a personal automobile insurance policy that reduces coverage that would otherwise be provided under the policy unless the insured requests the endorsement or the insurer provides the policyholder with a written explanation of the change made by the endorsement by a certain deadline with a prohibition against an insurer using such a policy form or an endorsement to such a policy form that makes a material change to the policy unless the insured requests the material change or the insurer provides the policyholder in a written notice an explanation of the material change that meets the following criteria: appears in a conspicuous place on the notice of the material change, clearly indicates each material change to the policy, is written in plain language, and is provided to the policyholder not later than the 30th day before the date on which the policy expires. The bill authorizes the notice to be provided to the policyholder in a notice of renewal. The bill requires an insurer who elects to make a material change to a policy form or to use an endorsement to make a material change to a policy form to provide an additional written notice, not later than the 30th day before the earliest date on which the new policy form or endorsement is used, to each agent of the insurer that clearly indicates each material change being made to the policy form. The bill 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. The bill defines "material change" for purposes of these provisions as a change to a policy that, with respect to a prior or existing policy, reduces coverage, changes conditions of coverage, or changes the duties of the insured.

S.B. 417 replaces the requirement for an insurer that renews a homeowners insurance policy, fire and residential allied lines insurance policy, farm and ranch owners insurance policy, or farm and ranch insurance policy to 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 with the requirement that such an insurer provide the policyholder with written notice 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. The bill requires the notice to appear in a conspicuous place in the notice of renewal, clearly indicate each material change to the policy being made on renewal, and be provided to the policyholder not later than the 30th day before the renewal date. The bill requires an insurer who elects to make a material change to a policy form on renewal to provide an additional written notice, not later than the 30th day before the earliest renewal date on which the new policy form is used, to each agent of the insurer that clearly indicates each material change being made to the policy form. The bill 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. The bill defines "material change" for purposes of these provisions as a change to a policy that, with respect to a prior or existing policy, reduces coverage, changes conditions of coverage, or changes the duties of the policyholder.

S.B. 417 applies only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2018.

**EFFECTIVE DATE**

September 1, 2017.