

By: Watson  
(Lucio III, Vo)

S.B. No. 417

A BILL TO BE ENTITLED

AN ACT

relating to notice to policyholders and agents of certain changes to property and casualty insurance policies.

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

SECTION 1. Section 551.103, Insurance Code, is amended to read as follows:

Sec. 551.103. CANCELLATION. For the purposes of this subchapter, an insurer has canceled an insurance policy if the insurer, without the consent of the insured:

(1) terminates coverage provided under the policy;

(2) refuses to provide additional coverage to which the insured is entitled under the policy; or

(3) except as provided by Section 551.1055, reduces or restricts coverage under the policy by endorsement or other means.

SECTION 2. Subchapter C, Chapter 551, Insurance Code, is amended by adding Section 551.1055 to read as follows:

Sec. 551.1055. CHANGES TO POLICY ON RENEWAL. (a) In this section, "material change" means a change to a policy that, with respect to a prior or existing policy:

(1) reduces coverage;

(2) changes conditions of coverage; or

(3) changes the duties of the insured.

(b) Notwithstanding Section 551.103, a change to a policy provision on renewal is not a nonrenewal or cancellation under this

1 subchapter if the insurer provides the insured with written notice  
2 in accordance with this section of any material change in each form  
3 of the policy offered to the insured on renewal from the form of the  
4 policy held immediately before renewal.

5 (c) Notice provided under Subsection (b) must:

6 (1) appear in a conspicuous place in the notice of  
7 renewal;

8 (2) clearly indicate each material change to the  
9 policy being made on renewal;

10 (3) be written in plain language; and

11 (4) be provided to the insured not later than the 30th  
12 day before the renewal date.

13 (d) In addition to the notice to the insured provided under  
14 Subsection (b), if an insurer elects to make a material change to a  
15 policy form on renewal, not later than the 30th day before the  
16 earliest renewal date on which the new policy form is used, the  
17 insurer shall provide written notice to each agent of the insurer  
18 that clearly indicates each material change being made to the  
19 policy form. An insurer may provide the notice to the agents in a  
20 single notice given to each agent of the insurer that summarizes  
21 substantially similar material changes to more than one policy  
22 form.

23 (e) Notwithstanding this section, for a personal automobile  
24 insurance policy, an insurer must comply with Sections [551.105](#) and  
25 [551.106\(b\)](#).

26 SECTION 3. Section [551.110](#), Insurance Code, is amended to  
27 read as follows:

1           Sec. 551.110. LIABILITY FOR DISCLOSURE. An insurer or  
2 agent or an employee of an insurer or agent is not liable for a  
3 notice, statement, or disclosure made in good faith under this  
4 subchapter unless the notice, statement, or disclosure was:

5                   (1) known to be false; or

6                   (2) made with malice or wilful intent to injure any  
7 person.

8           SECTION 4. Section 2002.001, Insurance Code, is amended to  
9 read as follows:

10           Sec. 2002.001. POLICY FORM OR ENDORSEMENT MAKING MATERIAL  
11 CHANGE TO POLICY [~~ENDORSEMENTS REDUCING AMOUNT OF COVERAGE~~].

12 (a) In this section, "material change" means a change to a policy  
13 that, with respect to a prior or existing policy:

14                   (1) reduces coverage;

15                   (2) changes conditions of coverage; or

16                   (3) changes the duties of the insured.

17           (b) An insurer may not use a policy form or [an] endorsement  
18 to a policy form to which Article 5.35, Subchapter B of this  
19 chapter, or Subchapter B, Chapter 2301, applies that makes a  
20 material change to [~~reduces coverage that would otherwise be~~  
21 ~~provided under~~] the policy unless:

22                   (1) the insured requests the material change  
23 [~~endorsement~~]; or

24                   (2) the insurer provides the policyholder in a written  
25 notice an [~~with a written~~] explanation of [~~the change made by~~] the  
26 material change that:

27                           (A) appears in a conspicuous place on the notice

1 of the material change;

2 (B) clearly indicates each material change to the  
3 policy;

4 (C) is written in plain language; and

5 (D) is provided to the policyholder  
6 [endorsement] not later than the 30th day before the date on which  
7 the policy expires.

8 (c) Notice required by Subsection (b) may be provided to the  
9 policyholder in a notice of renewal.

10 (d) In addition to the notice to the policyholder provided  
11 under Subsection (b), if an insurer elects to make a material change  
12 to a policy form or use an endorsement to make a material change to a  
13 policy form, not later than the 30th day before the earliest date on  
14 which the new policy form or endorsement is used, the insurer shall  
15 provide written notice to each agent of the insurer that clearly  
16 indicates each material change being made to the policy form. An  
17 insurer may provide the notice to the agents in a single notice  
18 given to each agent of the insurer that summarizes substantially  
19 similar material changes to more than one policy form.

20 SECTION 5. The heading to Subchapter C, Chapter 2002,  
21 Insurance Code, is amended to read as follows:

22 SUBCHAPTER C. ITEMS PROVIDED ~~[TO POLICYHOLDER]~~ IN CONNECTION WITH  
23 INSURANCE POLICY

24 SECTION 6. Section 2002.102, Insurance Code, is amended to  
25 read as follows:

26 Sec. 2002.102. NOTICE OF RENEWAL. (a) In this section,  
27 "material change" means a change to a policy that, with respect to a

1 prior or existing policy:

2 (1) reduces coverage;

3 (2) changes conditions of coverage; or

4 (3) changes the duties of the policyholder.

5 (b) An insurer, including a farm mutual insurance company,  
6 county mutual insurance company, Lloyd's plan, or reciprocal or  
7 interinsurance exchange, that renews a homeowners insurance  
8 policy, fire and residential allied lines insurance policy, farm  
9 and ranch owners insurance policy, or farm and ranch insurance  
10 policy must provide the policyholder with written notice in  
11 accordance with this section of any material change in [~~difference~~  
12 ~~between~~] each form of the policy offered to the policyholder on  
13 renewal from [~~and~~] the form of the policy held immediately before  
14 renewal.

15 (c) [~~(b)~~] A notice provided under this section must:

16 (1) appear in a conspicuous place in the notice of  
17 renewal;

18 (2) clearly indicate each material change to the  
19 policy being made on renewal;

20 (3) be written in plain language; and

21 (4) be provided to the policyholder not later than the  
22 30th day before the renewal date.

23 (d) In addition to the notice to the policyholder provided  
24 under this section, if an insurer elects to make a material change  
25 to a policy form on renewal, not later than the 30th day before the  
26 earliest renewal date on which the new policy form is used, the  
27 insurer shall provide written notice to each agent of the insurer

1 that clearly indicates each material change being made to the  
2 policy form. An insurer may provide the notice to the agents in a  
3 single notice given to each agent of the insurer that summarizes  
4 substantially similar material changes to more than one policy  
5 form.

6 (e) [~~(e)~~] The commissioner may adopt rules as necessary to  
7 implement this section.

8 SECTION 7. The change in law made by this Act applies only  
9 to an insurance policy delivered, issued for delivery, or renewed  
10 on or after January 1, 2018. A policy delivered, issued for  
11 delivery, or renewed before that date is governed by the law as it  
12 existed immediately before the effective date of this Act, and that  
13 law is continued in effect for that purpose.

14 SECTION 8. This Act takes effect September 1, 2017.