

1-1 By: Watson S.B. No. 417
 1-2 (In the Senate - Filed January 6, 2017; February 1, 2017,
 1-3 read first time and referred to Committee on Business & Commerce;
 1-4 April 10, 2017, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 9, Nays 0; April 10, 2017,
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 417 By: Creighton

1-19 A BILL TO BE ENTITLED
 1-20 AN ACT

1-21 relating to notice to policyholders and agents of certain changes
 1-22 to property and casualty insurance policies.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 SECTION 1. Section 551.103, Insurance Code, is amended to
 1-25 read as follows:

1-26 Sec. 551.103. CANCELLATION. For the purposes of this
 1-27 subchapter, an insurer has canceled an insurance policy if the
 1-28 insurer, without the consent of the insured:

- 1-29 (1) terminates coverage provided under the policy;
- 1-30 (2) refuses to provide additional coverage to which
 1-31 the insured is entitled under the policy; or
- 1-32 (3) except as provided by Section 551.1055, reduces or
 1-33 restricts coverage under the policy by endorsement or other means.

1-34 SECTION 2. Subchapter C, Chapter 551, Insurance Code, is
 1-35 amended by adding Section 551.1055 to read as follows:

1-36 Sec. 551.1055. CHANGES TO POLICY ON RENEWAL. (a) In this
 1-37 section, "material change" means a change to a policy that, with
 1-38 respect to a prior or existing policy:

- 1-39 (1) reduces coverage;
- 1-40 (2) changes conditions of coverage; or
- 1-41 (3) changes the duties of the insured.

1-42 (b) Notwithstanding Section 551.103, a change to a policy
 1-43 provision on renewal is not a nonrenewal or cancellation under this
 1-44 subchapter if the insurer provides the insured with written notice
 1-45 in accordance with this section of any material change in each form
 1-46 of the policy offered to the insured on renewal from the form of the
 1-47 policy held immediately before renewal.

1-48 (c) Notice provided under Subsection (b) must:

- 1-49 (1) appear in a conspicuous place in the notice of
 1-50 renewal;
- 1-51 (2) clearly indicate each material change to the
 1-52 policy being made on renewal;
- 1-53 (3) be written in plain language; and
- 1-54 (4) be provided to the insured not later than the 30th
 1-55 day before the renewal date.

1-56 (d) In addition to the notice to the insured provided under
 1-57 Subsection (b), if an insurer elects to make a material change to a
 1-58 policy form on renewal, not later than the 30th day before the
 1-59 earliest renewal date on which the new policy form is used, the
 1-60 insurer shall provide written notice to each agent of the insurer

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

2-6 (e) Notwithstanding this section, for a personal automobile
 2-7 insurance policy, an insurer must comply with Sections 551.105 and
 2-8 551.106(b).

2-9 SECTION 3. Section 551.110, Insurance Code, is amended to
 2-10 read as follows:

2-11 Sec. 551.110. LIABILITY FOR DISCLOSURE. An insurer or
 2-12 agent or an employee of an insurer or agent is not liable for a
 2-13 notice, statement, or disclosure made in good faith under this
 2-14 subchapter unless the notice, statement, or disclosure was:

2-15 (1) known to be false; or

2-16 (2) made with malice or wilful intent to injure any
 2-17 person.

2-18 SECTION 4. Section 2002.001, Insurance Code, is amended to
 2-19 read as follows:

2-20 Sec. 2002.001. POLICY FORM OR ENDORSEMENT MAKING MATERIAL
 2-21 CHANGE TO POLICY [~~ENDORSEMENTS REDUCING AMOUNT OF COVERAGE~~].

2-22 (a) In this section, "material change" means a change to a policy
 2-23 that, with respect to a prior or existing policy:

2-24 (1) reduces coverage;

2-25 (2) changes conditions of coverage; or

2-26 (3) changes the duties of the insured.

2-27 (b) An insurer may not use a policy form or [~~an~~] endorsement
 2-28 to a policy form to which Article 5.35, Subchapter B of this
 2-29 chapter, or Subchapter B, Chapter 2301, applies that makes a
 2-30 material change to [~~reduces coverage that would otherwise be~~
 2-31 provided under] the policy unless:

2-32 (1) the insured requests the material change
 2-33 [~~endorsement~~]; or

2-34 (2) the insurer provides the policyholder in a written
 2-35 notice an [~~with a written~~] explanation of [~~the change made by~~] the
 2-36 material change that:

2-37 (A) appears in a conspicuous place on the notice
 2-38 of the material change;

2-39 (B) clearly indicates each material change to the
 2-40 policy;

2-41 (C) is written in plain language; and

2-42 (D) is provided to the policyholder
 2-43 [~~endorsement~~] not later than the 30th day before the date on which
 2-44 the policy expires.

2-45 (c) Notice required by Subsection (b) may be provided to the
 2-46 policyholder in a notice of renewal.

2-47 (d) In addition to the notice to the policyholder provided
 2-48 under Subsection (b), if an insurer elects to make a material change
 2-49 to a policy form or use an endorsement to make a material change to a
 2-50 policy form, not later than the 30th day before the earliest date on
 2-51 which the new policy form or endorsement is used, the insurer shall
 2-52 provide written notice to each agent of the insurer that clearly
 2-53 indicates each material change being made to the policy form. An
 2-54 insurer may provide the notice to the agents in a single notice
 2-55 given to each agent of the insurer that summarizes substantially
 2-56 similar material changes to more than one policy form.

2-57 SECTION 5. The heading to Subchapter C, Chapter 2002,
 2-58 Insurance Code, is amended to read as follows:

2-59 SUBCHAPTER C. ITEMS PROVIDED [~~TO POLICYHOLDER~~] IN CONNECTION WITH
 2-60 INSURANCE POLICY

2-61 SECTION 6. Section 2002.102, Insurance Code, is amended to
 2-62 read as follows:

2-63 Sec. 2002.102. NOTICE OF RENEWAL. (a) In this section,
 2-64 "material change" means a change to a policy that, with respect to a
 2-65 prior or existing policy:

2-66 (1) reduces coverage;

2-67 (2) changes conditions of coverage; or

2-68 (3) changes the duties of the policyholder.

2-69 (b) An insurer, including a farm mutual insurance company,

3-1 county mutual insurance company, Lloyd's plan, or reciprocal or
3-2 interinsurance exchange, that renews a homeowners insurance
3-3 policy, fire and residential allied lines insurance policy, farm
3-4 and ranch owners insurance policy, or farm and ranch insurance
3-5 policy must provide the policyholder with written notice in
3-6 accordance with this section of any material change in [difference
3-7 between] each form of the policy offered to the policyholder on
3-8 renewal from [and] the form of the policy held immediately before
3-9 renewal.

3-10 (c) [~~(b)~~] A notice provided under this section must:
3-11 (1) appear in a conspicuous place in the notice of
3-12 renewal;

3-13 (2) clearly indicate each material change to the
3-14 policy being made on renewal;

3-15 (3) be written in plain language; and

3-16 (4) be provided to the policyholder not later than the
3-17 30th day before the renewal date.

3-18 (d) In addition to the notice to the policyholder provided
3-19 under this section, if an insurer elects to make a material change
3-20 to a policy form on renewal, not later than the 30th day before the
3-21 earliest renewal date on which the new policy form is used, the
3-22 insurer shall provide written notice to each agent of the insurer
3-23 that clearly indicates each material change being made to the
3-24 policy form. An insurer may provide the notice to the agents in a
3-25 single notice given to each agent of the insurer that summarizes
3-26 substantially similar material changes to more than one policy
3-27 form.

3-28 (e) [~~(e)~~] The commissioner may adopt rules as necessary to
3-29 implement this section.

3-30 SECTION 7. The change in law made by this Act applies only
3-31 to an insurance policy delivered, issued for delivery, or renewed
3-32 on or after January 1, 2018. A policy delivered, issued for
3-33 delivery, or renewed before that date is governed by the law as it
3-34 existed immediately before the effective date of this Act, and that
3-35 law is continued in effect for that purpose.

3-36 SECTION 8. This Act takes effect September 1, 2017.

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