

BILL ANALYSIS

Senate Research Center

S.B. 590
By: Watson
Business & Commerce
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Last session, the legislature passed S.B. 417 by Senator Watson with zero nays in the Senate and two nays in the House. S.B. 417 allows insurance companies to provide a conspicuous, plain language notice before making a material change to a policyholder's property and casualty policy.

Before S.B. 417, this type of notice was typically lost in a policyholder's paperwork. Furthermore, many coverage reductions triggered cancellation notice requirements under the Insurance Code. This caused a lot of confusion because policyholders would decide to renew their policy with a coverage reduction and then receive the required notice of cancellation.

S.B. 417 addressed these problems by streamlining the procedures. Instead of providing a notice of cancellation, an insurance company can clearly describe the material change, which is more helpful to the policyholder and his or her agent. However, S.B. 417 only applied to personal property and casualty policies, like home and auto coverage. Therefore, insurers still have to send notices of cancellation when this situation comes up for commercial policies.

S.B. 590 adds commercial and liability policies to the provisions the legislature passed via S.B. 417 last session. This will allow businesses and their insurance companies to benefit from the improved notice options as they make decisions about their insurance needs. (Original Author's/Sponsor's Statement of Intent)

S.B. 590 amends current law relating to the cancellation and nonrenewal of certain liability and commercial property insurance policies.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the heading to Subchapter B, Chapter 551, Insurance Code, to read as follows:

SUBCHAPTER B. CANCELLATION AND NONRENEWAL OF CERTAIN LIABILITY AND COMMERCIAL PROPERTY INSURANCE POLICIES

SECTION 2. Amends Section 551.051, Insurance Code, by amending Subdivision (1) and adding Subdivision (1-a), as follows:

(1) Defines "commercial property insurance."

(1-a) Redefines "insurer" to include an insurance company or other entity admitted to engage in business and authorized to write commercial property insurance in this state, including a county mutual insurance company, a Lloyd's plan, and a reciprocal or interinsurance exchange.

SECTION 3. Amends Sections 551.052 and 551.053, Insurance Code, as follows:

Sec. 551.052. CANCELLATION PROHIBITED; EXCEPTIONS. Makes conforming changes to this section by including commercial property insurance policies in the provisions of this section.

Sec. 551.053. WRITTEN NOTICE OF CANCELLATION REQUIRED. Makes a conforming change to this section by including a commercial property insurance policy in its provisions.

SECTION 4. Amends Section 551.054(a), Insurance Code, to make a conforming change to this section by including a commercial property insurance policy in its provisions.

SECTION 5. Amends Subchapter B, Chapter 551, Insurance Code, by adding Section 551.056, as follows:

Sec. 551.056. CHANGES TO POLICY ON RENEWAL. (a) Defines "material change" for purposes of this section.

(b) Provides that a change to a liability insurance or commercial property insurance policy provision on renewal is not a nonrenewal or cancellation under this subchapter if the insurer provides the insured with written notice in accordance with this section 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 the renewal.

(c) Requires notice provided under Subsection (b) 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.

(d) Requires the insurer, in addition to the notice to the insured provided under Subsection (b), if an insurer elects to make a material change to a policy form on renewal, not later than the 30th day before the earliest renewal date on which the new policy form is used, to provide written notice to each agent of the insurer that clearly indicates each material change being made to the policy form. 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.

(e) Provides that this section does not apply if the policy form meets at least one of the conditions in Section 2301.004 (Exemption For Large Risks) both before and after the renewal of the policy or if before the renewal date the insured requests the change or the insured and the insurer agree to the change.

SECTION 6. Makes application of this Act prospective to January 1, 2020.

SECTION 7. Effective date: September 1, 2019.