

By: Lucio III

H.B. No. 1411

A BILL TO BE ENTITLED

AN ACT

relating to the cancellation and nonrenewal of certain liability and commercial property insurance policies.

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

SECTION 1. The heading to Subchapter B, Chapter 551, Insurance Code, is amended to read as follows:

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

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

(1) "Commercial property insurance" has the meaning assigned by Section 2251.002.

(1-a) "Insurer" means an insurance company or other entity admitted to engage in business and authorized to write liability insurance or commercial property insurance in this state, including a county mutual insurance company, a Lloyd's plan, and a reciprocal or interinsurance exchange. The term does not include a county mutual fire insurance company that writes exclusively industrial fire insurance as described by Section 912.310 or a farm mutual insurance company.

SECTION 3. Sections 551.052 and 551.053, Insurance Code, are amended to read as follows:

Sec. 551.052. CANCELLATION PROHIBITED; EXCEPTIONS. (a) An

1 insurer may not cancel a liability insurance or commercial property
2 insurance policy that is a renewal or continuation policy.

3 (b) An insurer may not cancel a liability insurance policy
4 or commercial property insurance during the initial policy term
5 after the 60th day following the date on which the policy was
6 issued.

7 (c) Notwithstanding Subsections (a) and (b), an insurer may
8 cancel a liability insurance or commercial property insurance
9 policy at any time during the term of the policy for:

- 10 (1) fraud in obtaining coverage;
11 (2) failure to pay premiums when due;
12 (3) an increase in hazard within the control of the
13 insured that would produce a rate increase; or
14 (4) loss of the insurer's reinsurance covering all or
15 part of the risk covered by the policy.

16 (d) Notwithstanding Subsections (a) and (b), an insurer may
17 cancel a liability insurance or commercial property insurance
18 policy at any time during the term of the policy if the insurer is
19 placed in supervision, conservatorship, or receivership and the
20 cancellation or nonrenewal is approved or directed by the
21 supervisor, conservator, or receiver.

22 Sec. 551.053. WRITTEN NOTICE OF CANCELLATION REQUIRED. Not
23 later than the 10th day before the date on which the cancellation of
24 a liability insurance or commercial property insurance policy takes
25 effect, an insurer must deliver or mail written notice of the
26 cancellation to the first-named insured under the policy at the
27 address shown on the policy.

1 SECTION 4. Section 551.054(a), Insurance Code, is amended
2 to read as follows:

3 (a) An insurer may refuse to renew a liability insurance or
4 commercial property insurance policy if the insurer delivers or
5 mails written notice of the nonrenewal to the first-named insured
6 under the policy at the address shown on the policy.

7 SECTION 5. Subchapter B, Chapter 551, Insurance Code, is
8 amended by adding Section 551.056 to read as follows:

9 Sec. 551.056. CHANGES TO POLICY ON RENEWAL. (a) In this
10 section, "material change" means a change to a policy that, with
11 respect to a previous or existing policy:

- 12 (1) reduces coverage;
- 13 (2) changes conditions of coverage; or
- 14 (3) changes the duties of the insured.

15 (b) A change to a liability insurance or commercial property
16 insurance policy provision on renewal is not a nonrenewal or
17 cancellation under this subchapter if the insurer provides the
18 insured with written notice in accordance with this section of any
19 material change in each form of the policy offered to the insured on
20 renewal from the form of the policy held immediately before
21 renewal.

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

- 23 (1) appear in a conspicuous place in the notice of
24 renewal;
- 25 (2) clearly indicate each material change to the
26 policy being made on renewal;
- 27 (3) be written in plain language; and

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

3 (d) In addition to the notice to the insured provided under
4 Subsection (b), if an insurer elects to make a material change to a
5 policy form on renewal, not later than the 30th day before the
6 earliest renewal date on which the new policy form is used, the
7 insurer shall provide written notice to each agent of the insurer
8 that clearly indicates each material change being made to the
9 policy form. An insurer may provide the notice to the agents in a
10 single notice given to each agent of the insurer that summarizes
11 substantially similar material changes to more than one policy
12 form.

13 SECTION 6. The change in law made by this Act applies only
14 to an insurance policy delivered, issued for delivery, or renewed
15 on or after January 1, 2020. A policy delivered, issued for
16 delivery, or renewed before that date is governed by the law as it
17 existed immediately before the effective date of this Act, and that
18 law is continued in effect for that purpose.

19 SECTION 7. This Act takes effect September 1, 2019.