

## **BILL ANALYSIS**

Senate Research Center  
87R6146 SCL-F

S.B. 1602  
By: Taylor  
Business & Commerce  
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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Most personal auto insurance policies require that the insured cooperate with the insurer in the investigation, settlement, and defense of an accident or claim. According to the language provided in the Insurance Service Office (ISO) policy, Part E, the intent is clear:

B. A person seeking any coverage must:

1. Cooperate with us in the investigation, settlement, or defense of any claim or suit.

While the language clearly states the responsibility, there is no real incentive for the insured, or the insurance company, to adhere to this requirement. The only recourse against either when a claim is denied, is for the injured party to file a lawsuit. The insurance company gets out of paying a claim and the insured does not have a claim on their record unless the injured party goes to court.

The purpose of this legislation is to give an incentive for the insurance company to do all possible to contact their insured to get them to cooperate. This also gives the insured the incentive to cooperate or they will receive a 10-day notice of cancellation and be forced to find coverage elsewhere.

The only opposition that we foresee could come from insurance companies that have been using this practice to avoid paying legitimate claims based on the failure to cooperate.

As proposed, S.B. 1602 amends current law relating to cancellation of certain property and casualty insurance policies for the insured's failure to cooperate in a claim investigation, settlement, or defense.

### **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 Subchapter C, Chapter 551, Insurance Code, by adding Section 551.1045, as follows:

Sec. 551.1045. MANDATORY CANCELLATION OF POLICIES. (a) Requires an insurer, if an insured fails or refuses to cooperate with the insurer in the investigation, settlement, or defense of a claim or action or the insurer is unable to contact the insured using reasonable efforts for those purposes, to provide written notice to the named insured that states:

- (1) how the insured failed or refused to cooperate, including failure as a result of the insurer's inability to contact the insured;
- (2) the claim or action for which the insurer is requesting cooperation; and

(3) the insurer will cancel the policy on the 10th day after the date the insured receives the notice if the insured continues to fail or refuse to cooperate.

(b) Requires an insurer to cancel a policy on the 10th day after the date the insured receives notice under Subsection (a) if the named insured fails or refuses to cooperate with the insurer in the investigation, settlement, or defense of the claim or action described by the notice.

SECTION 2. Makes application of this Act prospective to January 1, 2022.

SECTION 3. Effective date: September 1, 2021.