Chapter 60

S.B. No. 417

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
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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.

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

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

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

(3) be written in plain language; and

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

(d) 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, the
insurer shall provide written notice to each agent of the insurer
that clearly indicates each material change being made to the
policy form. An insurer may 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) Notwithstanding this section, for a personal automobile
insurance policy, an insurer must comply with Sections 551.105 and
551.106(b).

SECTION 3. Section 551.110, Insurance Code, is amended to
read as follows:
Sec. 551.110. LIABILITY FOR DISCLOSURE. An insurer or agent or an employee of an insurer or agent is not liable for a notice, statement, or disclosure made in good faith under this subchapter unless the notice, statement, or disclosure was:

(1) known to be false; or
(2) made with malice or wilful intent to injure any person.

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

Sec. 2002.001. POLICY FORM OR ENDORSEMENT MAKING MATERIAL CHANGE TO POLICY.
(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) An insurer may not use a policy form or [an] endorsement to a policy form to which Article 5.35, Subchapter B of this chapter, or Subchapter B, Chapter 2301, applies that makes a material change to [reduces coverage that would otherwise be provided under] the policy unless:

(1) the insured requests the material change [endorsement]; or
(2) the insurer provides the policyholder in a written notice an [with a written] explanation of [the change made by] the material change that:

(A) appears in a conspicuous place on the notice
of the material change;

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

(C) is written in plain language; and

(D) is provided to the policyholder not later than the 30th day before the date on which the policy expires.

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

(d) In addition to the notice to the policyholder provided under Subsection (b), if an insurer elects to make a material change to a policy form or use an endorsement to make a material change to a policy form, not later than the 30th day before the earliest date on which the new policy form or endorsement is used, the insurer shall provide written notice to each agent of the insurer that clearly indicates each material change being made to the policy form. An insurer may 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.

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

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

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

Sec. 2002.102. NOTICE OF 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 policyholder.

(b) An insurer, including a farm mutual insurance company, county mutual insurance company, Lloyd's plan, or reciprocal or interinsurance exchange, that renews a homeowners insurance policy, fire and residential allied lines insurance policy, farm and ranch owners insurance policy, or farm and ranch insurance policy must provide the policyholder with written notice in accordance with this section of any material change in each form of the policy offered to the policyholder on renewal from the form of the policy held immediately before renewal.

(c) A notice provided under this section must:
1. appear in a conspicuous place in the notice of renewal;
2. clearly indicate each material change to the policy being made on renewal;
3. be written in plain language; and
4. be provided to the policyholder not later than the 30th day before the renewal date.

(d) In addition to the notice to the policyholder provided under this section, 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, the insurer shall provide written notice to each agent of the insurer.
that clearly indicates each material change being made to the policy form. An insurer may 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) The commissioner may adopt rules as necessary to implement this section.

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

SECTION 8. This Act takes effect September 1, 2017.
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I hereby certify that S.B. No. 417 passed the Senate on April 19, 2017, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 417 passed the House on May 9, 2017, by the following vote: Yeas 143, Nays 2, two present not voting.

Chief Clerk of the House

Approved:

5-21-2017

Date

Governor

Filed in the Office of the Secretary of State

MAY 22, 2017

Secretary of State
TO: Honorable Larry Phillips, Chair, House Committee on Insurance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB417 by Watson (Relating to notice to policyholders and agents of certain changes to property and casualty insurance policies.), As Engrossed

No fiscal implication to the State is anticipated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance

LBB Staff: UP, AG, CP, CL, EH
TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB417 by Watson (Relating to notice to policyholders and agents of certain changes to property and casualty insurance policies.), Committee Report 1st House, Substituted

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