

1-1 By: Watson S.B. No. 590
 1-2 (In the Senate - Filed February 1, 2019; February 21, 2019,
 1-3 read first time and referred to Committee on Business & Commerce;
 1-4 April 2, 2019, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 7, Nays 0; April 2, 2019,
 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. 590 By: Nichols

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

1-21 relating to the cancellation and nonrenewal of certain liability
 1-22 and commercial property insurance policies.

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

1-24 SECTION 1. The heading to Subchapter B, Chapter 551,
 1-25 Insurance Code, is amended to read as follows:

1-26 SUBCHAPTER B. CANCELLATION AND NONRENEWAL OF CERTAIN LIABILITY AND
 1-27 COMMERCIAL PROPERTY INSURANCE POLICIES

1-28 SECTION 2. Section 551.051, Insurance Code, is amended by
 1-29 amending Subdivision (1) and adding Subdivision (1-a) to read as
 1-30 follows:

1-31 (1) "Commercial property insurance" has the meaning
 1-32 assigned by Section 2251.002.

1-33 (1-a) "Insurer" means an insurance company or other
 1-34 entity admitted to engage in business and authorized to write
 1-35 liability insurance or commercial property insurance in this state,
 1-36 including a county mutual insurance company, a Lloyd's plan, and a
 1-37 reciprocal or interinsurance exchange. The term does not include a
 1-38 county mutual fire insurance company that writes exclusively
 1-39 industrial fire insurance as described by Section 912.310 or a farm
 1-40 mutual insurance company.

1-41 SECTION 3. Sections 551.052 and 551.053, Insurance Code,
 1-42 are amended to read as follows:

1-43 Sec. 551.052. CANCELLATION PROHIBITED; EXCEPTIONS.

1-44 (a) An insurer may not cancel a liability insurance or commercial
 1-45 property insurance policy that is a renewal or continuation policy.

1-46 (b) An insurer may not cancel a liability insurance or
 1-47 commercial property insurance policy during the initial policy term
 1-48 after the 60th day following the date on which the policy was
 1-49 issued.

1-50 (c) Notwithstanding Subsections (a) and (b), an insurer may
 1-51 cancel a liability insurance or commercial property insurance
 1-52 policy at any time during the term of the policy for:

1-53 (1) fraud in obtaining coverage;
 1-54 (2) failure to pay premiums when due;
 1-55 (3) an increase in hazard within the control of the
 1-56 insured that would produce a rate increase; or

1-57 (4) loss of the insurer's reinsurance covering all or
 1-58 part of the risk covered by the policy.

1-59 (d) Notwithstanding Subsections (a) and (b), an insurer may
 1-60 cancel a liability insurance or commercial property insurance

2-1 policy at any time during the term of the policy if the insurer is
2-2 placed in supervision, conservatorship, or receivership and the
2-3 cancellation or nonrenewal is approved or directed by the
2-4 supervisor, conservator, or receiver.

2-5 Sec. 551.053. WRITTEN NOTICE OF CANCELLATION REQUIRED. Not
2-6 later than the 10th day before the date on which the cancellation of
2-7 a liability insurance or commercial property insurance policy takes
2-8 effect, an insurer must deliver or mail written notice of the
2-9 cancellation to the first-named insured under the policy at the
2-10 address shown on the policy.

2-11 SECTION 4. Section 551.054(a), Insurance Code, is amended
2-12 to read as follows:

2-13 (a) An insurer may refuse to renew a liability insurance or
2-14 commercial property insurance policy if the insurer delivers or
2-15 mails written notice of the nonrenewal to the first-named insured
2-16 under the policy at the address shown on the policy.

2-17 SECTION 5. Subchapter B, Chapter 551, Insurance Code, is
2-18 amended by adding Section 551.056 to read as follows:

2-19 Sec. 551.056. CHANGES TO POLICY ON RENEWAL. (a) In this
2-20 section, "material change" means a change to a policy that, with
2-21 respect to a previous or existing policy:

- 2-22 (1) reduces coverage;
- 2-23 (2) changes conditions of coverage; or
- 2-24 (3) changes the duties of the insured.

2-25 (b) A change to a liability insurance or commercial property
2-26 insurance policy provision on renewal is not a nonrenewal or
2-27 cancellation under this subchapter if the insurer provides the
2-28 insured with written notice in accordance with this section of any
2-29 material change in each form of the policy offered to the insured on
2-30 renewal from the form of the policy held immediately before
2-31 renewal.

2-32 (c) Notice provided under Subsection (b) must:

- 2-33 (1) appear in a conspicuous place in the notice of
- 2-34 renewal;
- 2-35 (2) clearly indicate each material change to the
- 2-36 policy being made on renewal;
- 2-37 (3) be written in plain language; and
- 2-38 (4) be provided to the insured not later than the 30th
- 2-39 day before the renewal date.

2-40 (d) In addition to the notice to the insured provided under
2-41 Subsection (b), if an insurer elects to make a material change to a
2-42 policy form on renewal, not later than the 30th day before the
2-43 earliest renewal date on which the new policy form is used, the
2-44 insurer shall provide written notice to each agent of the insurer
2-45 that clearly indicates each material change being made to the
2-46 policy form. An insurer may provide the notice to the agents in a
2-47 single notice given to each agent of the insurer that summarizes
2-48 substantially similar material changes to more than one policy
2-49 form.

2-50 (e) This section does not apply if:

- 2-51 (1) the policy form meets at least one of the
- 2-52 conditions in Section 2301.004 both before and after renewal of the
- 2-53 policy; or
- 2-54 (2) before the renewal date:
 - 2-55 (A) the insured requests the change; or
 - 2-56 (B) the insured and the insurer agree to the
 - 2-57 change.

2-58 SECTION 6. The change in law made by this Act applies only
2-59 to an insurance policy delivered, issued for delivery, or renewed
2-60 on or after January 1, 2020. A policy delivered, issued for
2-61 delivery, or renewed before that date is governed by the law as it
2-62 existed immediately before the effective date of this Act, and that
2-63 law is continued in effect for that purpose.

2-64 SECTION 7. This Act takes effect September 1, 2019.

2-65 * * * * *