

## **Insurance Requirements**

During the 77<sup>th</sup> Texas Legislative Session, insurance requirements were modified. The following provides insurance requirements and recent changes:

### **Insurance requirements**

An applicant must have a policy issued by an insurance company authorized to do business in the State of Texas.

The policy must insure, in the name of the applicant, **all grain that is or may be in the public grain warehouse for its full market value against loss by or due to water or other fluid, malicious mischief, vandalism, theft, intentional waste or destruction, smoke, fire, internal explosion, lightning, hail, windstorm, hurricane, or tornado.**

If any covered event destroys or damages grain in a grain warehouse, the warehouse operator shall, at the request of the depositor by either presentation of a receipt or other evidence of ownership, make settlement with the depositor of the grain. The amount of the settlement shall be the average price paid for grain of the same grade and quality on the date of the loss at the location of the warehouse, minus the warehouse operator's charges and advances. If a settlement is not made before the 31<sup>st</sup> day following the date of the request, the depositor is entitled to seek recovery from the insurance company.

### **Additional Insurance**

If the department determines that an approved insurance policy is insufficient, the department may require the operator to obtain additional insurance within a time frame specified by the department. Additional insurance shall be maintained or continued as necessary to meet the requirements of the department. If a license has been suspended or revoked or has expired, the department may require continued insurance coverage by the warehouse operator to protect depositors of grain until all outstanding receipts or open storage accounts are closed.

### **Insurance Exception**

An applicant is not required to file a certificate of insurance if the applicant certifies in writing, at or before the time the certificate of insurance is due, that all grain within the warehouse at the time the license is to be effected or will be owned by the applicant free of any lien. The applicant shall file the required certificate of insurance on or before the first day any grain not owned by the applicant, free of any lien that is stored for hire, handle for hire, or shipped for hire.

## **Insurance Cancellation**

A warehouse operator may not cancel an insurance policy without approval of the department, unless the department gives written approval of a substitute policy.

The insurer may cancel an insurance policy by sending notice of intent to cancel by registered or certified mail to the department. Cancellation of an insurance policy is not effective before the 31<sup>st</sup> day following the date the insurer mails notice of intent to cancel. On receipt of notice of cancellation of an insurance policy, the department shall promptly notify the warehouse operator involved.

**Note: A public grain warehouse license is automatically suspended if the warehouse operator fails to file a new certificate of insurance before the cancellation on an insurance policy is effective or fails to provide a certification of ownership. The suspension of a license continues as long as the warehouse operator fails to maintain the insurance required.**