

## **BILL ANALYSIS**

Senate Research Center

S.B. 127  
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### **DIGEST AND PURPOSE**

Currently, the Texas Insurance Code requires an insurer to respond to a claim no later than the 15th day after receipt of the claim, and in some cases no later than the 30th day. Acceptance or rejection of the claim must be made no later than 15 days after receipt of all items needed, at the soonest, and no later than 45 days after the notification of any delay, at the latest. Untreated water damage can lead to the development of mold and, consequently, to increased claims and inconvenience to families. As proposed, S.B. 127 requires insurers to respond to claimants reporting water damage within a substantially reduced time frame. Each insurer is required to develop and implement procedures for meeting these requirements. This bill does not affect the claims payment procedures for water damage.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 3 of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 21E, Insurance Code, by adding Article 21.55A, as follows:

#### Article 21.55A. WATER DAMAGE CLAIMS

Sec. 1. PURPOSE AND APPLICABILITY. Provides that the purpose of this article is to provide for the efficient handling and processing of certain water damage claims filed under residential property insurance policies. Provides that this article applies to insurers that handle water damage claims filed under residential property insurance policies.

Sec. 2. DEFINITIONS. Defines “claim,” “insurer,” and “residential property insurance.”

Sec. 3. PROCEDURES FOR HANDLING CLAIMS. (a) Requires an insurer to take certain actions within 24 hours after the insurer or the insurer’s agent receives notice of a claim for water damage.

(b) Requires each insurer to develop and implement procedures for handling water damage claims in a prompt and effective manner, and sets forth 16 categories of actions to be undertaken by the insurer with a focus on prompt communication with the insured and timely progress on remediation and repair.

(c) Provides that an insurer handling a claim under this article is required to use only certain adjusters.

Sec. 4. PAYMENT OF CLAIMS. Provides that Section 4, Article 21.55 of this code, applies to the payment of water damage claims regulated under this article.

Sec. 5. APPLICABILITY OF OTHER LAW. (a) Provides that the provisions of Article 21.55 of this code apply to water damage claims under this article, except as provided by Subsection (b)

of this section.

(b) Requires that Section 6, Article 21.55 of this code, not apply for failure to comply with the requirements of this article, except that Section 6, Article 21.55 shall apply for failure to comply with Section 4, Article 21.55 of this code, for water damage claims regulated under this article.

Sec. 6. CONFLICT WITH OTHER LAW. Provides that, to the extent of any conflict between the provisions of this article and any other provision of this code, the provisions of this article prevail unless otherwise provided in this article.

SECTION 2. Amends Article 21.55, Insurance Code, by adding Section 9, as follows:

Section 9. CONFLICT WITH OTHER LAW. Provides that the provisions of Article 21.55A of this code prevail, if any conflict regarding the handling of water damage claims under residential property insurance policies arises between this article and Article 21.55A of this code.

SECTION 3. Requires the commissioner of insurance to adopt rules implementing Article 21.55A, Insurance Code, as added by this Act, by the 120th day after the effective date of this Act.

SECTION 4. (a) Effective date: June 1, 2003, or September 1, 2003.

(b) Makes application of this Act prospective, except that Subdivisions (2), (4), (5), (10), (11), and (12), Section 3(b), Article 21.55A, Insurance Code, as added by this Act, are prospective to the 120th day after the effective date of this Act.