

By: Davis of Dallas

H.B. No. 881

A BILL TO BE ENTITLED

AN ACT

relating to a prompt acceptance or denial of a claim for benefits under a disability insurance policy.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article 21.55, Insurance Code, is amended by adding Section 9 to read as follows:

Sec. 9. DETERMINATION OF ELIGIBILITY TO RECEIVE BENEFITS UNDER DISABILITY INSURANCE POLICY. This article does not apply to a determination of a claimant's eligibility to receive disability insurance benefit payments under the terms of a disability insurance policy.

SECTION 2. Subchapter E, Chapter 21, Insurance Code, is amended by adding Article 21.55A to read as follows:

Art. 21.55A. PROMPT ACCEPTANCE OR DENIAL OF CLAIM FOR BENEFITS MADE UNDER DISABILITY INSURANCE POLICY

Sec. 1. DEFINITIONS. In this article:

(1) "Claim for benefits" means a claim made by a policyholder that the policyholder is eligible to receive disability insurance benefit payments under the terms of a disability insurance policy.

(2) "Claimant" means a person making a claim for benefits.

(3) "Insurer" means any insurer authorized to issue disability insurance policies or to engage in the business of

1 disability insurance in this state, including:

2 (A) an insurance company authorized to engage in
3 the business of life, health, or accident insurance in this state;

4 (B) a domestic or foreign fraternal benefit
5 society;

6 (C) a mutual life insurance company;

7 (D) a local mutual aid association;

8 (E) a statewide mutual assessment company,
9 mutual assessment company, or mutual assessment life, health, and
10 accident association;

11 (F) a mutual insurance company writing policies
12 other than life insurance;

13 (G) a Lloyd's plan;

14 (H) a reciprocal or interinsurance exchange; and

15 (I) a stipulated premium insurance company.

16 (4) "Notice of claim for benefits" means any
17 notification in writing to an insurer that reasonably apprises the
18 insurer of the facts relating to or the existence of a claim for
19 benefits.

20 Sec. 2. NOTICE OF CLAIM FOR BENEFITS. (a) An insurer
21 shall, not later than the 10th calendar day after receipt of a
22 notice of claim for benefits:

23 (1) acknowledge receipt of the claim for benefits;

24 (2) commence a determination of the claimant's
25 eligibility to receive disability insurance benefit payments under
26 the terms of the disability insurance policy; and

27 (3) request from the claimant all items, statements,

1 and forms that the insurer reasonably believes will be required
2 from the claimant to make a determination of the claimant's
3 eligibility to receive disability insurance benefit payments under
4 the terms of the disability insurance policy.

5 (b) If the acknowledgment of a claim for benefits is not
6 made in writing, an insurer shall make a record of the date, means,
7 and content of the acknowledgment.

8 Sec. 3. ACCEPTANCE OR DENIAL OF CLAIM FOR BENEFITS. (a)
9 Except as provided by Subsection (b) of this section, an insurer
10 shall notify a claimant in writing of the insurer's acceptance or
11 denial of a claim for benefits not later than the 30th calendar day
12 after the date the insurer receives from the claimant all items,
13 statements, and forms requested by the insurer to make a
14 determination of the claimant's eligibility.

15 (b) An insurer shall notify a claimant not later than the
16 date specified under Subsection (a) of this section if the insurer
17 is unable to accept or deny a claim for benefits within the period
18 specified under Subsection (a).

19 (c) Not later than the 15th calendar day after the date an
20 insurer notifies a claimant under Subsection (b) of this section,
21 the insurer shall:

22 (1) accept or deny a claim for benefits; and

23 (2) notify a claimant in writing of the insurer's
24 acceptance or denial of the claim for benefits.

25 (d) If an insurer denies a claimant's claim for benefits,
26 the notice required by Subsection (a) or (c) of this section must
27 state the reason for the denial of the claim for benefits in clear

1 and unambiguous language.

2 (e) To contest an insurer's denial of a claim for benefits,
3 the claimant must send a written response to the insurer not later
4 than the 30th calendar day after the date the claimant receives the
5 notice sent by the insurer under Subsection (a) or (c) of this
6 section.

7 Sec. 4. PAYMENT OF CLAIM FOR BENEFITS. An insurer shall
8 make the first benefit payment not later than the fifth business day
9 after the notice of acceptance of a claim for benefits sent under
10 Section 3 of this article is mailed to a claimant.

11 Sec. 5. REMEDIES. A violation of this article is an unfair
12 method of competition or deceptive act or practice in the business
13 of insurance for purposes of Article 21.21 of this code and an
14 unfair settlement practice for purposes of Article 21.21-2 of this
15 code.

16 SECTION 3. This Act takes effect September 1, 2003, and
17 applies only to a claim for benefits under a disability insurance
18 policy made on or after January 1, 2004. A claim for benefits under
19 a disability insurance policy made before January 1, 2004, is
20 governed by the law in effect immediately before the effective date
21 of this Act, and the former law is continued in effect for that
22 purpose.