

BILL ANALYSIS

Senate Research Center
81R35450 PB-F

C.S.H.B. 3221
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Business & Commerce
5/21/2009
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law allows for notification of an increase in payment amounts for automatic insurance premium payments made through electronic funds transfer accounts only by printed format. After receiving a printed notice, the insured must then return to the insurer a written notification of an objection to the increase. This procedure is in need of modernization. The bill provides additional methods of notice to alleviate delays caused by only using mail service and allows for more efficient communication between the insurer and the insured.

C.S.H.B. 3221 provides additional methods by which an insurer can meet the requirement to notify a person of an increase in the amount of funds to be withdrawn from the person's account to pay premiums on insurance coverage and provide a means for the person to object to the increase.

C.S.H.B. 3221 relates to required notifications by an insurer before automatic premium payments may be increased.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 542.056, Insurance Code, by adding Subsections (e), (f), and (g), as follows:

(e) Provides that if an insurer pays a claim not later than the 15th business day after the date the insurer receives all items, statements, and forms required by the insurer to secure final proof of loss, or not later than the 30th day if the insurer has a reasonable basis to believe that the loss that is the subject of the claim resulted from arson, the payment of the claim constitutes notice of acceptance and, notwithstanding Subsection (a) (relating to the notice of acceptance or rejection of a claim), the insurer is not required to provide any other notice under this section.

(f) Requires the insurer, if an insurer makes a partial payment under this section or rejects any portion of a claim, to include a written notice with the partial payment that states the reason for the rejection.

(g) Provides that for purposes of Subsections (e) and (f), payment includes an electronic funds transfer to an account identified by the claimant.

SECTION 2. Amends Section 550.002, Insurance Code, by amending Subsection (b) and adding Subsections (b-1) and (b-2), as follows:

(b) Prohibits an insurer receiving automatic premium payments through withdrawal of funds from a person's account, including an escrow account, as authorized by that person to pay premiums on insurance coverage provided through that insurer, from increasing the amount of funds to be withdrawn from the account to pay premiums on that coverage unless the insurer, not later than the 30th day before the effective date of the increase in the premium payment amount, notifies the person of the increase by mailing a notice

through the United States Postal Service, rather than notifies the person of the increase and provides the person a postage prepaid form that may be used to object to the increase an neither the insurer not the financial institution receives written objection to the increase on or before the fifth day before the date on which the increase takes effect.

(b-1) Requires that the notice include the insurer's toll-free telephone number, mailing address, and electronic mail address, if applicable, through which the person is authorized to object to the increase described by Subsection (b). Provides that an objection made by the policyholder through a telephone call, mail, or electronic mail constitutes a valid objection for purposes of this section.

(b-2) Authorizes the insurer to increase the amount of funds to be withdrawn from the account only if the insurer does not receive a valid objection to the increase on or before the fifth day before the date on which the increase is scheduled to take effect.

SECTION 2. Effective date: upon passage or September 1, 2009.