

## **BILL ANALYSIS**

C.S.H.B. 4242  
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Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Current law requires an insurer to notify a claimant in writing of the acceptance or rejection of 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. In this scenario, "claimant" refers to a first-party claim filed with an insurance company. Companies frequently pay the policyholder the amount owed for the claim within this 15-day window. However, current law does not permit the payment of a claim to relieve the insurer of the obligation to send a letter of acceptance. Consequently, it is very common in smaller claims, such as towing and labor, windshield or glass breakage, or even food spoilage claims, that the letter of acceptance is received after the policyholder has been paid for the loss suffered. Some insurers frequently pay members by depositing the funds in their bank account through an electronic funds transfer.

C.S.H.B. 4242 provides that if an insurer pays a claim within a specified period of time, the payment of the claim constitutes notice of acceptance and the insurer is not required to provide any other notice of acceptance or rejection of the claim. The bill requires an insurer to provide written notice with a partial payment of a claim that states the reason for the rejection of any part of the claim. The bill includes an electronic funds transfer to an account identified by the claimant as a payment of a claim for the purposes of notice of acceptance or rejection of a claim.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 4242 amends the Insurance Code to provide 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 the insurer is not required to provide any other notice of acceptance or rejection of the claim. The bill requires an insurer that makes a partial payment of a claim or rejects any portion of a claim to include a written notice with the partial payment that states the reason for the rejection. The bill includes an electronic funds transfer to an account identified by the claimant as a payment of a claim for the purposes of these provisions.

### **EFFECTIVE DATE**

September 1, 2009.

## **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 4242 adds a provision not in the original to require an insurer to include a written notice with a partial payment of a claim or a rejection of any portion of a claim that states the reason for the rejection. The substitute adds a provision not in the original to include an electronic funds transfer to an account identified by a claimant as a payment of a claim.