

By: Jackson

S.B. No. 2272

A BILL TO BE ENTITLED

AN ACT

relating to a lender's release of insurance proceeds.

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

SECTION 1. Section 557.002, Insurance Code is amended to read as follows:

Sec. 557.002. NOTIFICATION BY LENDER TO INSURED CONCERNING INSURANCE PROCEEDS. (a) If a claim under an insurance policy for damage to residential real property is paid to the insured and a lender, and the lender holds all or part of the proceeds from the insurance claim payment pending completion of all or part of the repairs to the property, the lender shall specifically notify the insured of each reasonable requirement with which the insured must comply for the lender to release the insurance proceeds.

(b) The notice required under this section must be provided not later than the 10th day after the date the lender receives payment of the insurance proceeds.

SECTION 2. Section 557.003, Insurance Code is amended to read as follows:

Sec. 557.003. LENDER'S RELEASE OR REFUSAL TO RELEASE INSURANCE PROCEEDS. Not later than the 10th day after the date a lender receives from the insured a request for release of all or part of the insurance proceeds held by the lender, the lender shall:

(1) if the lender has received [~~sufficient~~] evidence of the insured's compliance with the requirements specified by the

1 lender under Section 557.002 for release of the proceeds, release
2 to the insured, as requested, all or part of the proceeds; or

3 (2) provide notice to the insured that explains
4 specifically:

5 (A) the good faith reason for the lender's
6 refusal to release the proceeds to the insured; and

7 (B) each requirement as specified by the lender
8 under Section 557.002 with which the insured must comply for the
9 lender to release the proceeds.

10 SECTION 3. Section 557.004, Insurance Code is amended to
11 read as follows:

12 Sec. 557.004. LIABILITY FOR VIOLATION OF SUBCHAPTER.

13 (a) If a lender is not in compliance with this subchapter, the
14 lender is liable to pay insured the proceeds held by the lender,
15 interest at the rate of 18 percent a year on the proceeds held by the
16 lender as damages, together with reasonable attorney's fees.

17 (b) If a suit is filed, the attorney's fees shall be taxed as
18 part of the costs in the case. [~~PAYMENT OF INTEREST, RATE. A lender~~
19 ~~who fails to provide notice as required by Section 557.002 or~~
20 ~~557.003 or to release insurance proceeds as required by Section~~
21 ~~557.003 shall pay to the insured interest at the rate of 10 percent~~
22 ~~a year on the proceeds held by the lender.]~~

23 SECTION 4. Section 557.005, Insurance Code is amended to
24 read as follows:

25 Sec. 557.005. REMEDIES NOT EXCLUSIVE. The remedies
26 provided by this subchapter are in addition to any other remedy or
27 procedure provided by law or at common law. [~~ACCRUAL OF INTEREST.~~

1 ~~(a) If a lender fails to provide notice as required by Section~~
2 ~~557.002 or 557.003, interest begins to accrue on the date the lender~~
3 ~~received the insurance proceeds.~~

4 ~~(b) If a lender fails to release insurance proceeds as~~
5 ~~required by Section 557.003, interest begins to accrue on the date~~
6 ~~the lender receives sufficient evidence of the insured's compliance~~
7 ~~with the requirements specified by the lender under Section 557.002~~
8 ~~or 557.003 for release of the proceeds.~~

9 ~~(c) Interest stops accruing on the date the lender complies~~
10 ~~with Section 557.002 or 557.003, as applicable.]~~

11 SECTION 5. Section 557.006, Insurance Code is repealed.