

BILL ANALYSIS

S.B. 1054
By: Hegar
Insurance
Committee Report (Amended)

BACKGROUND AND PURPOSE

Certain insurers notify claimants 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. It is noted that companies frequently pay the policyholder the amount owed for the claim within this 15-day window. However, it is further noted that paying the claim alone does not relieve the insurer of the obligation to send a letter of acceptance and that it is common in smaller claims, such as those for towing, labor, windshield or glass breakage, or food spoilage claims, for the letter of acceptance to be received after the policyholder has been paid for the loss suffered. It is also noted that some insurers frequently pay claims by electronic deposit in a bank account.

Interested parties assert that legislation is required to establish that an insurer's payment of a claim within a specified period constitutes notice of acceptance and relieves the insurer of any requirement to provide further notice of acceptance of the claim and to address the matter of partial payment of a claim and the use of an electronic funds transfer to pay a claim for the purposes of such notice. S.B. 1054 seeks to achieve these goals by addressing matters relating to notice of acceptance or rejection of an insurance 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

S.B. 1054 amends the Insurance Code to establish that payment of an insurance 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 payment of a claim 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, constitutes notice of acceptance of the claim and that an insurer is not required to provide any other notice relating to the acceptance or rejection of that claim. The bill requires an insurer, if the insurer makes a partial payment on 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 establishes that payment or partial payment of a claim for purposes of the bill's provisions includes an electronic funds transfer to an account identified by the claimant.

EFFECTIVE DATE

September 1, 2011.

EXPLANATION OF AMENDMENTS

Committee Amendment No. 1

Committee Amendment No. 1 replaces a requirement for an insurer, if the insurer makes a partial payment on 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 with a requirement for an insurer, in those circumstances, to include a written notice that states the reason for the partial payment or the rejection of the claim.