

BILL ANALYSIS

Senate Research Center
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S.B. 1054
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

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 insurer receives all necessary claim items.

In practice, companies frequently pay the policyholder the full amount of the claim within the 15-day window. This is particularly common for smaller claims; however, current law requires the policyholder to be notified in writing that his or her claim has been paid (although the policyholder has already received full payment).

This unnecessary requirement results in a waste of resources and an increase in administrative costs, which are ultimately passed along to consumers.

S.B. 1054 solves this problem by allowing the payment of a claim, which is made within 15 days, to fulfill the notice requirement, thereby making written notification of acceptance unnecessary.

S.B. 1054 only applies to fully paid claims. If an insurer makes a partial payment, then the insurer is required to provide written notice with the partial payment and state the reason for rejection. Similarly, if an insurer rejects a claim, then the insurer must provide written notice stating the reason for rejection.

The bill provides that an electronic funds transfer to an account is a "payment."

As proposed, S.B. 1054 amends current law relating to notice of acceptance or rejection of an insurance claim.

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 of the claim and, notwithstanding Subsection (a), the insurer is not required to provide any other notice under this section.
- (f) Requires the insurer, if an insurer makes a partial payment on a claim 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. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2011.