1-1 By: Taylor of Galveston

(In the Senate - Filed March 12, 2015; March 23, 2015, read first time and referred to Committee on Business and Commerce; April 20, 2015, reported adversely, with favorable Committee Substitute by the following vote: Yeas 6, Nays 3; April 20, 2015, sent to printer.)

1-7 COMMITTEE VOTE

1-8		Yea	Nay	Absent	PNV
1-9	Eltife	Χ			
1-10	Creighton	Χ			
1-11	Ellis		Χ		
1-12	Huffines	Χ			
1-13	Schwertner	Χ			
1-14	Seliger	Χ			
1-15	Taylor of Galveston	Х			
1-16	Watson		X		
1-17	Whitmire		X		

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 1628 By: Taylor of Galveston

1-19 A BILL TO BE ENTITLED AN ACT

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1**-**56 1**-**57 relating to insurance claims and certain prohibited acts and practices in or in relation to the business of insurance; amending provisions that are or may be subject to a criminal penalty.

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

SECTION 1. Section 541.060, Insurance Code, is amended by adding Subsection (c) to read as follows:

(c) A bona fide dispute as to whether an insurer is liable for a claim made under an insurance policy does not constitute an unfair settlement practice under this section.

SECTION 2. Section 541.151, Insurance Code, is amended to read as follows:

Sec. 541.151. PRIVATE ACTION FOR <u>ACTUAL DAMAGES AUTHORIZED</u>. (a) Except as provided by Section $54\overline{1.1511}$, a [A] person who sustains actual damages may bring an action against another person for those damages caused by the other person engaging in an act or practice:

(1) defined by Subchapter B to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance; or

(2) specifically enumerated in Section 17.46(b), Business & Commerce Code, as an unlawful deceptive trade practice if the person bringing the action shows that the person relied on the act or practice to the person's detriment.

(b) For purposes of this subchapter, "actual damages" means an injury independent of the harm resulting from the insurer's denial of policy benefits. The policy benefits wrongfully withheld, as well as any attorney's fees or costs incurred to recover those policy benefits, do not constitute "actual damages" for purposes of this subchapter.

SECTION 3. Subchapter D, Chapter 541, Insurance Code, is amended by adding Section 541.1511 to read as follows:

Sec. 541.1511. ACTION RELATING TO CLAIM FOR PROPERTY DAMAGE: INSURER ELECTION FOR LEGAL RESPONSIBILITY FOR ACTIONS OF AGENTS AND EMPLOYEES. (a) This section applies only to an action brought by an insured relating to or arising from a claim made under an insurance policy for damage to or loss of real property or tangible personal property alleged to be covered by the policy.

1-58 (b) An insured seeking damages in an action to which this section applies may not file or maintain an action under this subchapter against an employee, agent, representative, or adjuster

issuing policies, handling claims, or performing other acts on behalf of an insurer, and any such action shall be immediately 2 - 12-2 2-3 dismissed, if: 2-4

(1) the employee, agent, representative, or adjuster was not named in a notice given under Section 541.1541; or $\overline{(1)}$

(2) not later than the 30th day after the notice given under Section 541.1541 is received, the insurer agrees in writing to be liable for any act or omission of the employee, agent, representative, or adjuster related to or arising out of the insured's claim.

SECTION 4. The heading to Section 541.152, Insurance Code, is amended to read as follows:

Sec. 541.152. ACTUAL DAMAGES, ATTORNEY'S FEES, AND OTHER RELIEF.

SECTION 5. The heading to Section 541.154, Insurance Code, is amended to read as follows:

Sec. 541.154. PRIOR NOTICE OF ACTION OTHER THAN ACTION RELATING TO CLAIM FOR PROPERTY DAMAGE.

SECTION 6. Section 541.154(a), Insurance Code, is amended to read as follows:

(a) Except as provided by Section 541.1541, a [A] person seeking damages in an action against another person under this subchapter must provide written notice to the other person not

later than the 61st day before the date the action is filed.

SECTION 7. Subchapter D, Chapter 541, Insurance Code, is amended by adding Section 541.1541 to read as follows:

Sec. 541.1541. PRIOR NOTICE OF ACTION RELATING TO CLAIM FOR PROPERTY DAMAGE. (a) This section applies only to an action brought by an insured relating to or arising from a claim made under an insurance policy for damage to or loss of real property or tangible personal property alleged to be covered by the policy.

(b) An insured seeking damages in an action to which this section applies must provide written notice complying with this section to all potential defendants not later than the 61st day before the date the action is filed.

(c) If the amount sought by the insured in the action

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involves a claim for damage items previously submitted to an insurer, the notice must contain a statement signed by the insured:

(1) stating the specific damage items and the amount alleged to be owed by the insurer under the insurance contract;

(2) the amount of the actual damages, other damages, interest, and expenses, specifically stated for each item, that the insured alleged are available to be insured. insured alleges are owed by the insurer;

(3) the amount of attorney's fees the insured reasonably has incurred as of the date the notice is given in asserting the claim against the insurer;

(4) a stated amount that includes the amounts described by Subdivisions (1) through (3) that the insured will accept in full and final satisfaction of the claim; and

(5) the name of every person to whom notice is given this section and a brief description of each person's

relationship to the insured's claim.

(d) If the amount sought by the insured in the action involves a claim for damage items not previously submitted to the insurer, the notice must contain, in addition to the items listed in Subsection (c):

(1) a statement of the reason the damage items were not previously submitted to the insurer;

(2) copies of reports, estimates, photographs, and other items reasonably supporting the insured's additional damage items; and

a statement that the insured will cooperate allowing the insurer to inspect the insured property for purposes of investigating the additional damage items.

(e) Notice required by this section must be sent to the insurer by certified mail, return receipt requested.

Notice under this section is not required if giving (f) notice is impracticable because the action:

(1) must be filed to prevent the statute of

limitations from expiring; or

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(2) is asserted as a counterclaim.

SECTION 8. Section 541.155, Insurance Code, is amended to read as follows:

Sec. 541.155. ABATEMENT; DISMISSAL. (a) A person against whom an action under this subchapter is pending who does not receive $[\frac{\text{the}}{\text{e}}]$ notice as required by Section $\frac{541.154}{\text{or}}$ or $\frac{541.1541(c)}{\text{day}}$ may file a plea in abatement not later than the 30th day after the date the person files an original answer in the court in which the action is pending.

(b) The court shall abate the action if, after a hearing, the court finds that the person is entitled to an abatement because the claimant did not provide $[\frac{1}{2}]$ notice as required by Section 541.154 or 541.1541(c).

(c) An action is automatically abated without a court order beginning on the 11th day after the date a plea in abatement is filed if the plea:

(1) is verified and alleges that the person against whom the action is pending did not receive $[\frac{\text{the}}{\text{cos}}]$ notice as required by Section 541.154 or 541.1541(c); and

(2) is not controverted by an affidavit filed by the claimant before the 11th day after the date the plea in abatement is filed.

(d) An abatement under this section continues until the 60th day after the date notice is provided in compliance with Section 541.154 or $541.1541(\underline{c})$.

(d-1) A person against whom an action under this subchapter is pending who does not receive notice as required by Section 541.1541(d) may file a motion to dismiss not later than the 30th day after the date the person files an original answer in the court in which the action is pending.

(d-2) The court shall grant the motion under Subsection (d-1) if, after a hearing, the court finds that the person is entitled to dismissal because the claimant did not provide notice as required by Section 541.1541(d). A dismissal ordered under this section is without prejudice to the rights of the parties in a subsequent action.

(e) Subsections (d-1) and (d-2) do [This section does] not apply if Section 541.154(c) or 541.154(f) applies. If Section 541.154(c) or 541.1541(f) applies, the action may not be dismissed but shall be abated in accordance with Subsections (b), (c), and (d).

SECTION 9. Subchapter B, Chapter 542, Insurance Code, is amended by adding Section 542.0595 to read as follows:

Sec. 542.0595. PRIOR NOTICE OF ACTION RELATING TO CLAIM FOR PROPERTY DAMAGE; ABATEMENT OR DISMISSAL. (a) An insured may not bring suit under Section 542.060 in connection with a claim made under an insurance policy for damage to or loss of real property or tangible personal property unless the insured has provided written notice to the insurer with respect to the claim in accordance with Section 541.1541.

(b) A suit under Section 542.060 for which notice is required by this section is subject to abatement or dismissal to the same extent and in the same manner provided by Section 541.155 for an action under Subchapter D, Chapter 541.

SECTION 10. Section 542.060, Insurance Code, is amended to

SECTION 10. Section 542.060, Insurance Code, is amended to read as follows:

Sec. 542.060. LIABILITY FOR VIOLATION OF SUBCHAPTER. (a) If an insurer that is liable for a claim under an insurance policy knowingly fails to act [is not] in compliance with this subchapter, the insurer is liable to pay the holder of the policy or the beneficiary making the claim under the policy, in addition to the amount of the claim, interest on the unpaid amount of the claim at the rate of 18 percent a year as damages, together with reasonable attorney's fees.

(a-1) For purposes of Subsection (a), "knowingly" means that the insurer was actually aware at the time of the act or event that it was failing to comply with this subchapter. There is no liability under this section for a claim with respect to which there

is a bona fide dispute as to whether the insurer is liable.

4-2 (b) If a suit is filed, interest and [the] attorney's fees payable under this section shall be taxed as part of the costs in 4-3 4-4 the case.

(c) The liability for interest and attorney's fees provided by this section is the exclusive remedy for a violation of this subchapter. This section is not intended to affect a right or remedy provided by Chapter 541 or any other law outside this subchapter.

SECTION 11. Subchapter B, Chapter 542, Insurance Code, is amended by adding Section 542.0601 to read as follows:

Sec. 542.0601. LIABILITY WITH RESPECT TO CERTAIN CLAIMS. An insurer is not liable under Section 542.060 with respect to:

(1) a claim received by the insurer if it is determined through arbitration, litigation, or another dispute resolution process that the claim:

is not covered under the insurance policy; (A)

(B) was properly rejected;

(C) is invalid; or

otherwise should not be paid by the insurer; (D)

or

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a claim with respect to which an appraisal (2)

process:

is invoked under the terms of the policy: (A)

(i) by the insurer or insured before the

commencement of litigation;

(ii) by the defendant within 60 days after

receiving notice of the commencement of litigation; or

(iii) by the plaintiff after the

commencement of litigation; and

(B) results in a valid, signed award the amount of which is paid by the insurer not later than the 15th day after the date the insurer receives the award, consistent with the coverage, conditions, and limits provided by the policy, minus any prior payments and any applicable deductible amount.

SECTION 12. Subtitle A, Title 10, Insurance Code, is

amended by adding Chapter 1808 to read as follows:

CHAPTER 1808. CLAIMS FOR PROPERTY DAMAGE

Sec. 1808.001. DEFINITION. In this chapter, "claim for property damage" means a request for payment under an insurance policy for damage to or loss of real property or tangible personal property alleged to be covered by the policy.

This chapter Sec. 1808.002. APPLICABILITY OF CHAPTER. applies to any claim under or related to an insurance policy that provides insurance coverage against damage to or loss of real property or tangible personal property, including a policy issued by an insurance company, reciprocal or interinsurance exchange, mutual insurance company, capital stock insurance company, county mutual insurance company, farm mutual insurance company, Lloyd's plan, or other legal entity authorized to write property insurance in this state or an eligible surplus lines insurer.

Sec. 1808.003. CLAIM FILING PERIOD. (a) A claimant must give an insurer prompt written notice of a claim for property damage after property covered under the policy is damaged or lost, but in no event later than the second anniversary of the date on which the damage to or loss of property that is the basis of the claim occurs.

(b) Failure to provide notice of a claim for property damage by the second anniversary of the date on which the damage to or loss of property that is the basis of the claim occurs is an absolute bar

recovery on the claim.
(c) Nothing in this section precludes an insurer from raising any defense available under the terms of its policy relating to prompt notice or that is otherwise available under the law.

SECTION 13. Section 4102.051(a), Insurance Code, is amended to read as follows:

(a) A person may not act as a public insurance adjuster in this state or hold himself or herself out to be a public insurance adjuster in this state unless the person holds a license or

certificate issued by the commissioner under Section 4102.053 or $[\tau]$ 5-1 $4102.054[\frac{102.069}{102.069}].$ 5-2

SECTION 14. Section 4102.066(a), Insurance Code, is amended to read as follows:

- (a) The commissioner shall collect in advance the following nonrefundable fees:
- (1) for a public insurance adjuster license, application fee in an amount to be determined by rule by the commissioner;
- (2) for a nonresident public insurance adiuster license, an application fee in an amount to be determined by rule by the commissioner; and
- (3) for each public insurance adjuster examination, a fee in an amount to be determined by rule by the commissioner[; and
- [(4) for a public insurance adjuster trainee certificate under Section 4102.069, a registration fee in an amount to be determined by rule by the commissioner].

 SECTION 15. Section 4102.103, Insurance Code, is amended by

adding Subsection (d) to read as follows:

(d) A license holder may not enter into a contract with an insured and collect a commission as provided by Section 4102.104 without the intent to actually perform the services customarily provided by a licensed public insurance adjuster for the insured.

SECTION 16. Section 4102.104(d), Insurance Code, is amended to read as follows:

(d) A public insurance adjuster may not accept any payment that violates the provisions of this section [Subsection (c)].

SECTION 17. Section 4102.158, Insurance Code, is amended by amending Subsection (a) and adding Subsections (d), (e), and (f) to read as follows:

A license holder may not: (a)

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- (1) participate directly or indirectly in reconstruction, repair, or restoration of damaged property that is the subject of a claim adjusted by the license holder; or
- (2) engage in any other activities that may reasonably be construed as presenting a conflict of interest, including soliciting or accepting any remuneration from, [ex] having a financial interest in, or deriving any direct or indirect financial benefit from, any salvage firm, repair firm, construction firm, or other firm that obtains business in connection with any claim the license holder has a contract or agreement to adjust.
- (d) A license holder may not directly or indirectly solicit, as described by Chapter 38, Penal Code, employment for an attorney or enter into a contract with an insured for the primary purpose of referring an insured to an attorney and without the intent to actually perform the services customarily provided by a licensed public insurance adjuster. This section may not be construed to prohibit a license holder from recommending a particular attorney
- to an insured.

 (e) A license holder may not act on behalf of an attorney in having an insured sign an attorney representation agreement.
- (f) A license holder must become familiar with and at all times act in conformance with the criminal barratry statute set forth in Section 38.12, Penal Code.

SECTION 18. Section 4102.160, Insurance Code, is amended to read as follows:

Sec. 4102.160. CERTAIN PAYMENTS PROHIBITED. holder may not:

advance money to any potential client or insured;

or (2) pay, allow, or give, or offer to pay, allow, or give, directly or indirectly, to a person who is not a licensed public insurance adjuster a fee, commission, or other valuable consideration for the referral of an insured to the public insurance adjuster for purposes of [based on] the insured entering into a contract with that public insurance adjuster or for any other purpose [; or

otherwise offer to pay a $[\frac{(3)}{}]$ commission, consideration exceeding \$100 to a person not

6-1 licensed as a public insurance adjuster for referring an insured to the license holder]. 6-2

SECTION 19. Subchapter D, Chapter 4102, Insurance Code, is amended by adding Section 4102.164 to read as follows:

Sec. 4102.164. ACCEPTANCE OF REFERRAL PAYMENTS PROHIBITED.

(a) A licensed public insurance adjuster may not accept a fee, commission, or other valuable consideration of any nature, regardless of form or amount, in exchange for the referral by a licensed public insurance adjuster of an insured to any third-party individual or firm, including but not limited to an attorney, appraiser, umpire, construction company, contractor, or salvage company.

The commissioner shall adopt rules necessary to

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implement and enforce this section.

SECTION 20. The heading to Section 27.02, Business & Commerce Code, is amended to read as follows:

Sec. 27.02. CERTAIN OFFERS MADE AND INFORMATION PROVIDED IN

CONNECTION WITH INSURANCE CLAIMS [FOR EXCESSIVE CHARGES].

SECTION 21. Sections 27.02(a) and (b), Business & Commerce Code, are amended to read as follows:

- (a) A person who sells goods or services, including a contractor, appraiser, estimator, or insurance restoration contractor, commits an offense if, in connection with a claim for property loss or damage under a property or casualty insurance policy:
- (1) the person advertises or promises to [provide the good or service and to] pay, waive, absorb, rebate, subsidize, credit, or otherwise cover for any reason[+

[(A)] all or part of any applicable insurance deductible or other uninsured amount owed by an insured under the terms of the policy; [or

[(B) a rebate in an amount equal to all or part of any applicable insurance deductible;

(2) [the good or service is paid for by the consumer from proceeds of a property or casualty insurance policy; and [(3)] the person knowingly provides or causes to be provided to an insurer any estimate or other statement as to the cost of repair for the good or service to be provided that has been increased, inflated, or otherwise manipulated [charges an amount for the good or service that exceeds the usual and customary charge by the person for the good or service] by an amount equal to or greater than all or part of the applicable insurance deductible or other uninsured amount owed by an insured under the policy; or

(3) the person knowingly provides or causes to be provided to an insurer any false information within any estimate, bid, proposal, or other statement as to the scope of damage or cost of repair for the good or service to be provided [paid by the person to an insurer on behalf of an insured or remitted to an insured by the person as a rebate].

(b) A person who is insured under a property or casualty insurance policy commits an offense if the person:

(1) knowingly submits a claim under the policy based on conduct [charges that are] in violation of Subsection (a) [of this section]; or

(2) knowingly allows a claim in violation of Subsection (a) [of this section] to be submitted, unless the person promptly notifies the insurer of the conduct in violation of Subsection (a) [excessive charges].

SECTION 22. Section 4102.069, Insurance Code, is repealed.

SECTION 23. Chapter 541, Insurance Code, as amended by this

Act, applies only to conduct that occurs on or after the effective date of this Act. Conduct that occurs before the effective date of this Act is governed by the law as it existed immediately before the effective date of this Act , and that law is continued in effect for that purpose.

SECTION 24. Subchapter B, Chapter 542, Insurance Code, as amended by this Act, applies only to a claim for which notice of claim is provided to an insurer on or after the effective date of this Act. A claim for which notice of claim is provided to an

insurer before the effective date of this Act is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 25. Chapter 1808, Insurance Code, as added by this Act, applies only to a claim under an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2016. A claim under a policy delivered, issued for delivery, or renewed before January 1, 2016, is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

continued in effect for that purpose.

SECTION 26. The repeal by this Act of Section 4102.069,
Insurance Code, does not affect the authority of a person to act
under a temporary certificate issued by the Texas Department of
Insurance under that section before the effective date of this Act.

SECTION 27. Sections 4102.103(d) and 4102.158(d), Insurance Code, as added by this Act, apply only to a contract entered into or solicitation made on or after the effective date of this Act.

SECTION 28. (a) Except as provided by this section, Section 4102.104, Insurance Code, as amended by this Act, applies only to payment for a service performed on or after the effective date of this Act.

(b) Payment for a service performed before the effective date of this Act or performed after the effective date of this Act under a contract entered into before the effective date of this Act is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 29. Section 4102.160, Insurance Code, as amended by this Act, and Section 4102.164, Insurance Code, as added by this Act, apply only to a referral made on or after the effective date of this Act. A referral made before the effective date of this Act is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 30. The changes in law made by this Act apply only to an offense committed on or after the effective date of this Act. An offense committed before the effective date of this Act is governed by the law in effect when the offense was committed, and the former law is continued in effect for that purpose. For purposes of this section, an offense was committed before the effective date of this Act if any element of the offense occurred before that date.

SECTION 31. This Act takes effect September 1, 2015.

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